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THE GULF WAR

US eyes the prize of Mid-East peace

Page 12

World News

US to close another 80 overseas military bases

The US intends to shut down or substantially reduce operations at an additional 80 military bases overseas as part of a programme to abandon a third of its 1,600 foreign bases by 1996.

The bases are mainly in Germany although the Pentagon has not identified the sites affected. They apparently include large bases, small garrisons, ammunition depots and support sites. The cuts are a response to budget pressures and the end of the Cold War. Page 14

Yugoslav talks stalled

Yugoslav president Stipe Mesic walked out of a crisis meeting of the eight-member state presidency aimed at ending the bloodshed in Croatia. He rejected their plan to form a special commission under vice-president Branko Kostic to supervise a ceasefire in Croatia, Croatian Radio said. Croatia may cut ties with Serbia, Page 2

Heavy toll in floods

More than 100 people are feared dead after two days of heavy flooding in north-eastern Romania. In central India, more than 400 people may have drowned when a river burst its banks.

Coup leader jailed

Roger Lafontant, a former interior minister in Haiti's deposed Duvalier dictatorship, was sentenced to life imprisonment with hard labour after being found guilty of staging a coup in January in which he took over the country for 11 hours. Page 4

Afghan peace hopes

Afghan rebels gave guarded approval to a United Nations plan for ending 13 years of civil war but said members of the present Kabul government had no place in any transitional administration.

Torture claims rejected

Israel rejected allegations by Amnesty International that it tortured and mistreated Palestinian prisoners. It said the reports were fabricated

German spy trial halted

A Berlin court halted the prosecution of five former East German espionage service officials, saying it was unfair to prosecute East Germans for the kind of work still being carried out by western spies.

Korean N-plan rebuffed

South Korea rejected a North Korean proposal for a nuclear-free Korean peninsula to be guaranteed by China, the Soviet Union and the US. It said the north must first open its nuclear programme for inspection.

Kurds in plea to Major

Kurdish leader Jallal Talabani urged British Prime Minister John Major to step up aid for thousands of homeless Kurdish refugees in northern Iraq. He appealed at talks in London for help to build refugee camps and to achieve some regional autonomy.

University gun battle

More than six people were wounded in a five-hour gun battle between rival student groups at Dhaka University in Bangladesh.

Pacific N-tests protest

France will continue nuclear tests in the South Pacific in spite of a strong protest by the 15-nation South Pacific Forum comprising nations in the region, the French foreign ministry said.

Smoking ends in tragedy

Two Japanese teenagers at a special school for problem students died after their teacher locked them for two days in a windowless freight-car in summer heat as a punishment for smoking.

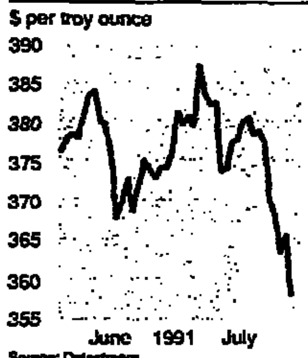
Business Summary

Dow moves above 3,000 buoyed by bond market

US share prices, buoyed by a resilient bond market, moved confidently higher yesterday, pushing the Dow Jones Industrial Average back above the 3,000 mark. By 1 pm the Dow was up 23.48 at 3,008.72. World stocks, Page 34

PLATINUM: Disillusioned Japanese investors prompted another sharp fall in the price of platinum to the lowest level for 5¼ years. It closed in London well below the price of gold – something that has happened only briefly on two occasions since 1986. Platinum ended the day in London at $358.10 a troy ounce, down $7.65. Commodities, Page 22

Platinum



Source: Datastream

FRANCE: The government is expecting only a hesitant recovery in the economy, and is to curb spending next year in line with its pessimistic forecast for growth, finance minister Pierre Bérégovoy warned. Page 14

UK: The Confederation of British Industry, the employer's organisation, reported falling confidence, orders and output in manufacturing industry in its latest quarterly industrial trends survey. Page 14; Editorial comment, Page 12; Lex, Page 14

EUROPEAN Commission is expected to approve the proposed merger, with conditions, between the car battery operations of Germany's Robert Bosch and Varta. Page 14

BRIDGESTONE, Japanese tyre maker, said consolidated pre-tax profits for the year to December, originally projected to rise 10.9 per cent to Y70bn ($511m), are now expected to fall 20.7 per cent to Y50bn, due to continuing losses at its US and European operations. Page 15

ALLIANZ: Group pre-tax earnings at Europe's largest insurance company fell 9 per cent to DM1.9bn ($1.07bn) last year, largely because of storm damage claims. Page 15; Lex, Page 14

US STEEL: Two of the country's largest steel manufacturers, USX-US Steel and LTV, reported second quarter operating losses. USX reported a second quarter net loss of $39m compared with net income of $84m in the same period of last year. LTV reported second quarter net income of $13.4m compared with income of $76.6m in the same period of last year. Page 15

TNT, Australian transport group, warned of a loss of up to A$187m ($145m) for the full year after announcing the setting up of its worldwide air express joint venture with five post offices in Europe and Canada. Page 18

IMF: The International Monetary Fund has approved a new $1.04bn one-year stand-by loan to Argentina, the country's sixth since 1983. The announcement also unlocks a further $325m in World Bank loans. Page 4

PUMA, German sports shoe company which suffered badly in the competitive US market, reported net profits of DM8.6m ($4.9m) in the first half of 1991 against a loss of DM4.4m in the same period last year. Page 16

US grants favoured trading status and reviews technology ban

Soviet aid linked to reforms

By Lionel Barber and John Lloyd in Moscow

US and Soviet presidents George Bush (left) and Mikhail Gorbachev begin their meeting in the Kremlin yesterday

PRESIDENT George Bush yesterday opened "a new era" of partnership between the US and Soviet Union but laid down stiff conditions for future US financial aid to support President Mikhail Gorbachev's reform programme.

On the first day of the Moscow summit, Mr Bush announced a series of moves aimed at liberalising trade and encouraging investment, including most favoured nation status which will reduce significantly US tariffs on Soviet goods.

The moves, which were expected, will further normalise relations between the two former Cold War antagonists. Mr Bush made clear, however, that further assistance will be linked to more progress towards democracy and a market economy.

Mr Gorbachev issued a direct appeal to Mr Bush for more US support. Speaking at a state dinner last night, he said it was time to scrap the Cocom restrictions on the transfer of Western technology to the Soviet Union. "If there is a will to help the Soviet Union to become part of the world economic system, then a more determined reciprocal movement is needed."

Speaking at the Moscow State Institute for International Relations, Mr Bush called for reduced Soviet defence spending, an end to Soviet military aid to Cuba, and "good faith" negotiations with the breakaway Baltic republics.

The US president also made more explicit US support for the return of the Northern Territories – the Kurile islands – to Japan. US officials said Mr Bush intended to show that the administration also set conditions on future aid to the Soviet Union.

In his speech, Mr Bush adopted a friendly but firm tone, seeking to dispel Soviet hopes of a massive Western bail-out of the Soviet economy. "The transformation must come from within," he said. "A shortage of foreign capital is not what plunged your economy into crisis, nor can your economic ills be cured by an infusion of cash."

Throughout the day, US and Soviet officials spoke warmly of a new partnership between their countries which confirmed the end of the Cold War and opened up new opportunities for co-operation.

Soviet support for the US-led coalition against Iraq served as "crowning proof" that the US and Soviet Union were overcoming their old animosities, Mr Bush said.

Mr Gorbachev, who is under attack from both conservatives and reformers, sought to emphasise that the US has a vital stake in the success of his political and economic programme.

In a welcoming ceremony in the Kremlin, the Soviet leader spoke of the irreversibility of change. "We are beginning to realise that we need each other; that the security, internal stability and dynamic development of each of our two countries benefit both of them."

Today, in a further sign of improving US-Soviet relations, the two leaders are due to sign the Start treaty reducing each side's long-range nuclear weapons by some 30 per cent.

The Summit, Page 3

De Klerk vows secret projects review

By Patti Waldmeir in Pretoria

PRESIDENT F.W. de Klerk of South Africa, seeking to regain credibility after the scandal over funding to the Zulu Inkatha movement, last night promised a review of all secret government projects.

In his first public response to the scandal, Mr de Klerk announced further measures to clear the way towards negotiations on a new constitution, following the removal on Monday of two security ministers.

The scandal has provoked the most serious political crisis of his presidency.

A confident and relaxed Mr de Klerk announced the cancellation of all secret funding to political parties or organisations and said legislation covering secret funds would be brought into line with international norms.

"In view of the latest controversy, every secret project is being looked at again," he said. "I am trying to prove by what I have announced tonight that we are prepared to stand the test of public scrutiny."

A private sector advisory committee would investigate secret projects. "Our hands are clean", he said.

Although Mr de Klerk's performance will have gone some way to restoring his image as a good-faith negotiator, opposition groups will suspend judgment until there is proof that secret spending has indeed been scaled down.

Doubts will remain, especially as Mr de Klerk made no commitment to phase out secret military operations carried out as part of what government calls the "line function" of the Ministry of Defence.

Indeed, Mr Barend du Plessis, the finance minister, made clear that funding for an operation such as the raid on a train in which 26 people died, alleged to have been carried out by the "special forces" would not be affected.

Only so-called "special secret projects" on which R26.9m ($9.3m) will be spent this year, are to be phased out.

Mr de Klerk admitted that individual security force members might have been involved in the violence which has left 10,000 people dead in the past five years, though he denied this was government policy.

"Relentless action" would be taken against any security force member who incited or assisted members of Inkatha in the violence, he said. A commission of inquiry would investigate such allegations, and its composition would be agreed by the major political organisations.

Monday's demotion of General Magnus Malan and Mr Adriaan Vlok, who held the defence and police portfolios respectively, was privately welcomed by African National Congress officials, who said the action had removed almost all remaining obstacles to the start of talks on a post apartheid constitution. However, the ANC did not immediately react to last night's meesures, which fell short of its demand for a commission of enquiry into secret funding.

Mr de Klerk last night reiterated his commitment to negotiations in the transition to democracy, adding that he had an open mind on which method was used. He said the measures must ensure that government "is unable to misuse its position of power to the detriment of its discussion partners".

Editorial Comment, Page 12

Abu Dhabi rescue deal wins delay in BCCI winding-up

By Raymond Hughes and Richard Waters in London

THE BANK of England's hopes for a quick resolution to the fate of Bank of Credit and Commerce International received a further setback yesterday when it failed, for the second time, to obtain a winding-up order against the bank.

Its attempt in the High Court in London to have the bank declared insolvent was frustrated by a surprise £50m ($84m) compensation package for the UK depositors and employees of BCCI unveiled by the Abu Dhabi authorities.

This prompted the court to grant a four-month delay to the bank's majority shareholders to allow them more time to explore ways of reviving the bank.

The Bank of England's embarrassment was compounded when Sir Nicolas Browne-Wilkinson, the vice-chancellor - the senior Chancery judge - expressed surprise at the Bank's opposition to the plan.

He noted that "the Bank is not willing itself to contribute any cash" to increase the amount depositors would be getting.

Sir Nicolas described the Abu Dhabi plan as a generous scheme to provide interim payments for BCCI's small sterling depositors and employees in England.

The Bank argued in the Court that an immediate winding up was the only way to protect depositors fully.

The Bank, which is already facing widespread criticism over its handling of the affair, said it was disappointed by the ruling. "This is obviously not the outcome we sought," said an official.

However he pointed out that it had achieved its regulatory objectives by closing BCCI down on July 5.

News of the Abu Dhabi scheme raised hopes that BCCI's majority shareholders are planning to rescue parts of the stricken group.

Representatives of Sheikh Zayed bin Sultan al al-Nahyan, the ruler of Abu Dhabi, said that considerations were at an early stage and that no plans had yet been formulated.

The High Court, which was told it was hoped to make the first payments under the scheme next month, adjourned

Continued on Page 14

BCCI news, page 7

Bull 'right on schedule' despite loss of FFr1.94bn

By George Graham in Paris

BULL, the French state-controlled computer company, has reported a further deterioration in earnings with a net loss of FFr1.94bn ($320m) in the first half of this year.

The result compares with a loss of FFr1.88bn in the same period of a year earlier, but Bull said yesterday that it was "right on schedule" with the restructuring plan it announced nine months ago.

Bull said that the recent agreement signed with NEC, the Japanese electronics group which is to take a 4.7 per cent stake in Bull's parent company, should not be affected by yesterday's results.

The group's restructuring, which involves 5,000 job cuts this year, a complete reorganisation of production management and a rationalisation of Bull's manufacturing plants, is designed to bring the ailing group back to profitability by the end of 1992, improving operating margins by some FFr4bn a year.

Bull officials said yesterday that 3,000 job cuts had been implemented so far this year, and the reduction of the number of production plants from 13 to six is also well under way.

The restructuring had, however, as expected, had only a limited effect on earnings in the first six months of this year.

The French company also insisted yesterday that its first half losses were in line with the projections involved in its restructuring plan, and should have no effect on the investigation by the European Commission into a capital injection promised by the French government.

Bull had already received a FFr1.5bn advance from the government last year, and an official said yesterday that a further FFr2bn injection had been received on schedule two weeks ago. Another FFr2bn has been promised for next year.

The company said its operating loss before interest charges had diminished by FFr200m in comparison with the same period of 1990, but declined to give a figure for this loss.

Bull is not the only computer company to have suffered in the first half of this year. IBM, the world market leader, announced 10 days ago a 90 per cent drop in second quarter earnings to $114m, while Compaq last week declared an 81 per cent drop in second quarter earnings to $20m.

Digital Equipment, meanwhile, announced last week a loss of $871m in its fourth quarter as a result of a $1.1bn special charge for a drastic restructuring programme involving severe job cuts.

Bull said that while it had suffered more than its competitors from the weakness of the computer market, in the first six months of this year, with the market still weak, it had fared better than many of its rivals. Group sales fell only 4 per cent to FFr15.2bn, the company said.

CONTENTS

Opec oil market doves ascend to maintain moderate prices

A unique production agreement between Saudi Arabia and Iran, together with the absence of Kuwaiti and Iraqi oil output, has allowed King Fahd to re-establish moderate pricing policies, at least in the short-term

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MARKETS

STERLING
New York lunchtime: $1.6805
London: $1.6805 (1.6745)
DM2.9425 (2.935)
FFr10.0025 (9.98)
SFr2.5675 (2.565)
Y231.5 (231.25)
£ Index 90.9 (90.7)

GOLD
New York: Comex Aug $362.5 (363.4)
London: $362.65 (365.2)

N SEA OIL (Argus)
Brent Sep $18.525 (same)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime: DM1.761
FFr5.952
SFr1.52835
Y137.9
London: DM1.7505 (1.763)
FFr5.955 (5.98)
SFr1.5285 (1.5325)
Y137.8 (138.15)
$ Index 66.9 (66.8)
Tokyo close: Y137.83

US lunchtime rates
Fed Funds: 5 11/16 %
3-mo Treasury Bills: 5.723%
Long Bond: 97 1/32
yield: 8.39%

STOCK INDICES
FT-SE 100: 2595.6 (+0.6)
FT Ordinary: 2011.8 (+0.5)
FT-A All-Share: 1238.75 (same)
New York lunchtime: DJ Ind. Av. 3007.16 (+21.91)
S&P Comp 385.44 (+2.29)
Tokyo: Nikkei 23,872.63 (+429.05)

LONDON MONEY
3-month Interbank: 11 5/16 % (11 1/8)
Liffe long gilt future: Sep 92 5/32 (92 7/16)

Croatia may cut all ties with Serbia

By Laura Silber in Zagreb, **Quentin Peel** in Bonn and **Judy Dempsey** in London

CROATIA'S parliament will vote later this week on whether to cut off all ties with Serbia in a move aimed at starving its arch-rival economically, Mr Sime Djodan, the republic's outgoing defence minister, said yesterday in an interview.

He also said a new government would be formed this week in an attempt to harness popular support after months of ethnic clashes which have forced thousands of Croats to flee strife-torn areas. The changes, he said, would represent "a wider spectrum."

Mr Djodan, whose views represent the far right of the Croatian government, remains confident that, despite heavy casualties, the republic has not "lost the war." More than 100 people have died in clashes between Croats and ethnic Serbs in Croatia in the past six months.

"If Serbia [Yugoslavia's largest republic] wants war, then we have about 200,000 Croats abroad who have volunteered to fight. We will buy guns, anti-tank and anti-aircraft weapons from Hungary, Italy and France because there are many Croats abroad who are prepared to give a lot of money to help Croatia."

His remarks, which suggest that the governments of Serbia and Croatia are preparing to step up their conflict, coincided with a meeting of the presidents of the six Yugoslav republics. However, Mr Franjo Tudjman, Croatia's president, , refused to attend. According to Tanjug, the country's official news agency, Mr Tudjman did not turn up "because of an escalation of [Serbian] terrorism which is supported by Serbian leaders and parts of the federal military."

For the first time in many days, there were no reports of clashes between armed ethnic Serbs and Croats in Croatia.

The presidents of the republics met to discuss a European Community proposal to extend to Croatia the EC's mandate to monitor a ceasefire and withdrawal of federal and local territorial defence units to the barracks in neighbouring Slovenia, which has also declared independence.

The EC has insisted that any extension of its involvement in Croatia depends on gaining approval from the Croat and Serb governments.

In Bonn yesterday, it emerged that Mr Hans-Dietrich Genscher, the German foreign minister, was unhappy about the EC's failure to invite to talks in Brussels this week representatives from Croatia, Serbia and Slovenia. Diplomats suggested he saw it as a "missed opportunity."

US-EC talks fail to advance reform

By Andrew Hill and Agencies in Brussels

US trade and agriculture representatives yesterday discussed with EC commissioners the specific problems dogging the Uruguay Round world trade talks under the General Agreement on Tariffs and Trade (Gatt), but emerged from their three-hour meeting without having reached firm conclusions on how to resolve the difficulties.

The negotiations which were to have ended last year, collapsed last December when the EC refused to bow to demands made by the US and others for sharp cuts in their payments to farmers.

Yesterday's talks involved Mr Frans Andriessen, the EC trade and external relations commissioner, Mr Ray MacSharry, the farm commissioner, Mr Ed Madigan, the US agriculture secretary and Mrs Carla Hills, US trade representative.

"We've tried to go into more specifics of sectors and ways in which we can deal with them. That's a new element," said Mr Andriessen after the meeting.

Mrs Hills said there had been "constructive engagement on a variety of levels", covering outstanding technical and political problems. She added, "We have a good way yet to go". They hinted they had new ideas over how to advance on several fronts, but would not go into detail.

Mr Ed Madigan, who continued talks with Mr MacSharry last night, made clear the issue of reform of the CAP was an internal matter for the EC.

Push for EC strategy on high-definition TV

By Andrew Hill in Brussels

REPRESENTATIVES of Europe's TV industry meet European Commission officials again on Friday, in a last attempt to agree an EC strategy for high-definition TV (HDTV) before the holidays.

Mr Filippo Maria Pandolfi, EC telecommunications and research commissioner, had hoped for an agreement between broadcasters, satellite operators and makers by early August, but that target seems over-ambitious.

"August 2 is the big deadline, but these are big companies and they won't commit themselves to anything legally binding in three days," said a broadcaster yesterday. Mr Pandolfi met broadcasters and satellite operators yesterday to discuss the HDTV draft directive and a memorandum of understanding to promote the intermediate transmission standard D2-Mac. The eventual aim is a full HDTV standard – the HD-Mac.

Diamonds official finds party is forever

Leyla Boulton and **Anthony Robinson** unearth some sparklers in Soviet gems policy

A YEAR after senior Soviet officials were disciplined by the Communist party for irregular trading in diamonds, the state prosecutor has closed a subsequent judicial investigation after finding "certain violations but no grounds for criminal prosecution".

Mr Nikolai Sapozhnikov, a member of the investigating team, said the government had been informed of these violations which apparently stemmed not from fraud but from high-level and continuing differences over the Soviet Union's diamond marketing strategy.

The man at the heart of last year's initial investigation by the disciplinary commission of the central committee of the Communist party was Mr Yevgeny Bichkov, the then head of the Soviet Union's precious stone depository, Gokhran. He and senior finance ministry officials were accused of "failure of discipline and and crude violations in the conduct of commercial operations involving the sale of state-owned precious stones for hard currency on foreign markets".

But Mr Bichkov, who, together with his colleagues at the finance ministry, was accused of losing at least $22m on the secret sales, has since been made director of a new division of the finance ministry set up to control the state's use of precious stones.

In an interview he denied that losses were involved and said that the aim of the controversial sales, sanctioned by the cabinet of Mr Nikolai Ryzhkov, the former prime minister, was to check whether Glavalmazzoloto, the state monopoly for precious stones and precious metals sales, was getting a fair price for Soviet diamonds.

But his operations, which included the use of a state-owned co-operative called ANT (itself involved in controversial arms sales) as an intermediary, were interrupted before he could come to any conclusions about official Soviet diamond trading.

Mr Bichkov is bitter about the parallel system of justice operated by the Communist party, a relic of the old system of intertwined party and state structures, and says the central committee investigators, who used the services of the KGB, "knew nothing about diamonds".

He believes that the Communist party accusations were prompted by Glavalmazzoloto senior management which was putting the finishing touches on last year's unprecedented deal with De Beers centenary, the Swiss arm of the De Beers diamond corporation. Under the agreement, Moscow transferred its diamond stockpile to London as collateral for a $1bn loan. Glavalmazzoloto also signed an agreement giving De Beers Central Sales Organisation (CSO) exclusive right to sell uncut Soviet gem diamonds worth an estimated $5bn over the next five years.

Although the diamond deal gave Moscow immediate access to hard currency it has not stopped a continuing domestic dispute over whether Moscow was getting the best value for its diamonds.

Last week, an expert from the ministry of foreign trade's research institute wrote that the De Beers agreement committed the Soviet Union "to a second rate position for five years". Mr Igor Kazakov claimed that analysis of the agreement showed a "complete lack of professionalism of its Soviet authors" and he called for a break-up of the state monopoly, Glavalmazzoloto.

His views were dismissed by Mr Valeri Rudakov, the head of Glavalmazzoloto, who defended the agreement with De Beers saying a monopoly system was needed for the diamond market. But Mr Bichkov, who has emerged as one of the strongest critics of the state monopoly supported this latest criticism of the De Beers link although he added that he would not investigate the deal since the Soviet Union could not go back on it.

The $1bn loan raised from De Beers on the collateral of the diamond stockpile was to be used for investment and technical assistance to develop the Soviet diamond industry. In practice however the funds have "gone to the government for its needs", according to Mr Rudakov, and only a corresponding rouble amount has been allocated to the industry.

De Beers meanwhile reports no problems with a deal which formalised a decades-long secret relationship and ensured that the cash-strapped Soviet government would not undermine the cartelised marketing system either by off-loading diamonds on to the market or by pledging diamonds as collateral for future borrowing. Payments on the loan were " coming in like clockwork", a spokesman said.

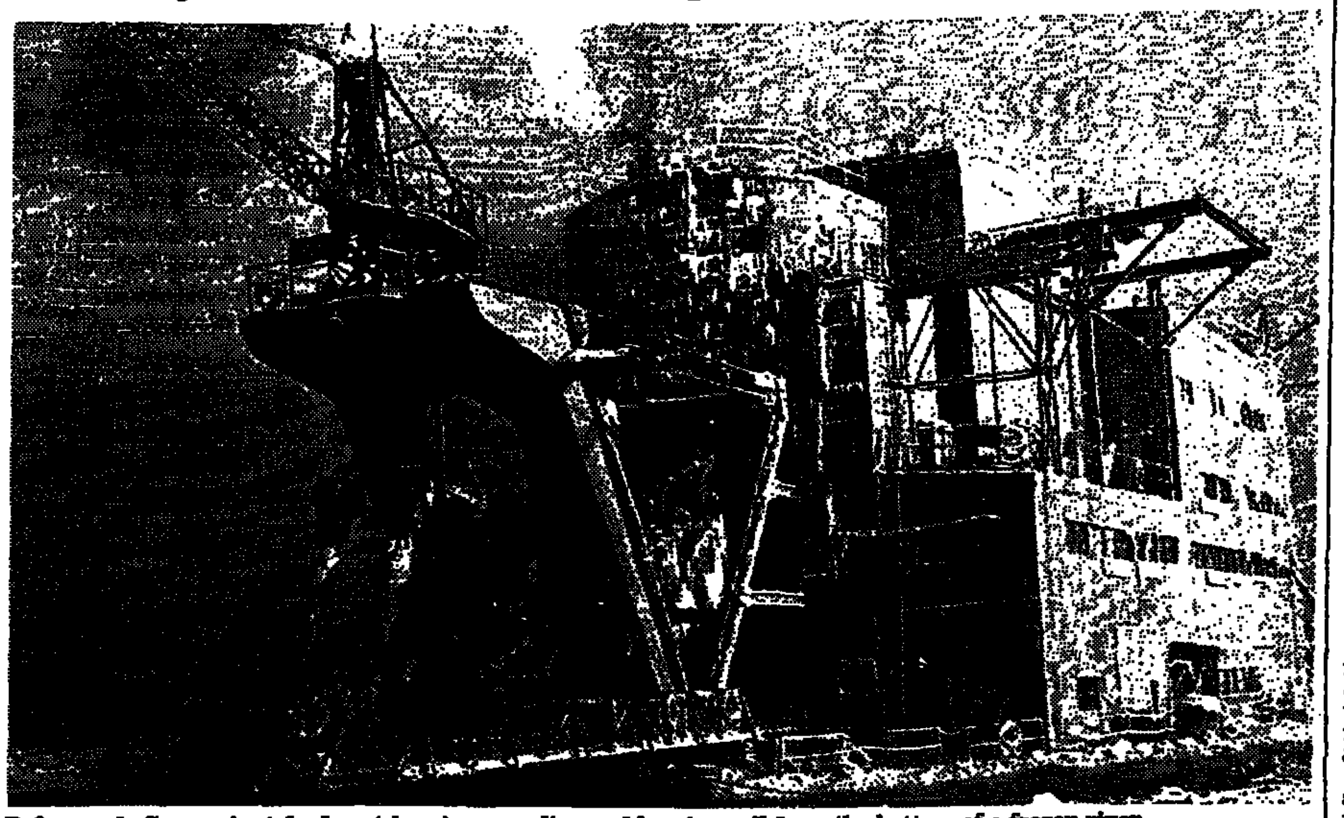
Mr Gary Ralfe, a De Beers director who helped negotiate the original deal and who keeps in close touch with the Soviet partner, added that the Soviet diamond industry is continuing to invest in the main Yakutia production area in eastern Siberia while evaluating new kymberlite deposits of diamondiferous material in the Archangelsk area of arctic Russia.

The $1bn loan to Glavalmazzoloto "was not project-tied but generically tied to development of the diamond industry and investment is clearly taking place". Mr Ralfe said: "We have been impressed by the efficiency of their industry. Some things in the Soviet Union still work well, like the Moscow metro. And so does the the diamond industry."

Mr Nicholas Oppenheimer, the CSO chairman, recently visited Yakutia, source of more than 90 per cent of current Soviet diamond production, and signed a general agreement to "widen areas of future co-operation and liaise on technical and related subjects" with Mr Mikhail Nikolayev, the Yakut leader.

This gold- and diamond-rich area of eastern Siberia is an autonomous republic of the Russian federation and has been involved in complex negotiations with both the Soviet all-Union authorities, led by President Mikhail Gorbachev and the Russian Federation, led by Mr Boris Yeltsin. Under the new Union Treaty, currently being finalised, Yakutia expects to be allowed a greater share of its hard currency revenue to be controlled locally.

The new tri-partite division of powers is likely to have a big impact on the future of Glavalmazzoloto which could be "transformed" in the near future, according to Mr Rudakov. This prospect is not yet furrowing brows at CSO headquarters in London. From there the hope is that the new "troika" arrangement being worked out between Yakutia and the two Moscow-based power centres will lead to a solution which keeps their five-year deal intact.



Before and after: a giant dredger (above) scoops diamond-bearing soil from the bottom of a frozen river in the depths of the Siberian winter at the start of a long process ending (below) in a jeweller's window.

EC and Efta try again to create common zone

By David Buchan in Brussels

THE European Community and the European Free Trade Association will try again in September to create a common 19-nation economic zone, following their failure to agree here on Monday night. But both sides fear the achievements of two years of talks on the European economic area (EEA) may start coming apart.

Efta has raised new difficulties about textiles and shipbuilding subsidies, while the desire of Britain and Ireland to protect their newly-developed fish farming industries has made the Community less keen to abolish tariffs on competing imports of Efta fish products.

Today's opinion by the Commission on Austria's EC application – which is expected to broadly favour starting negotiations in 1993 – may underline the growing view that the EEA is nothing but an unsatisfactory half-way house for Efta states on their way to joining the EC club.

But the negotiating gap on the key remaining sticking points – EC demands for Efta money, fish and road transit rights – is no wider than at the last ministerial negotiation in June when both sides over-optimistically declared a political breakthrough. "If it was wrong to declare a breakthrough in June, it would be equally wrong to declare a breakdown on Monday night," said one diplomat yesterday.

Robert Taylor adds from Stockholm: Norway's government is to recall parliament from recess on August 15-16 to discuss the deadlock in negotiations.

The failure to secure a deal on fishing this week has shocked Norwegians, who had expected a quick settlement.

Norway thought it had secured, in talks last month, free access into the EC for its fish and fish products in return for only minor concessions over the EC fishing fleet's access to its coastal waters. This proved to be a misunderstanding and the gap between the two sides remains wide.

Norwegians who want their country to seek EC membership in the near future are worried that the unsympathetic attitude of some Community states during the EEA negotiations could turn already divided public opinion against the EC.

Feelings are running high in Norway. Several political parties have demanded a referendum on any EEA agreement. While the government is unlikely to agree to this, the deal will need a three-quarters majority in parliament.

If an EEA agreement is not reached this autumn other Efta countries may seek individual deals with the Community.

Walesa says reforms have stalled

PRESIDENT Lech Walesa yesterday blamed his Solidarity government for being too remote from society, saying Poland's reforms had stalled and democracy was faltering.

"The organisational achievements in Poland of democracy and pluralism, the values in which I believe, appear to be failing", Mr Walesa said.

The remarks marked the start of what Mr Walesa has billed as a political offensive to get Poland's reforms back on track and counter a mood of widespread disenchantment.

Three months before Poles vote in their first free postwar parliamentary elections, industry is in deep recession and nearly one in four Poles in an opinion poll published last week said the Communist regime has been replaced by a Solidarity dictatorship.

● More than 12,000 employees at Poland's state-owned Ursus tractor enterprise will be put on indefinite leave starting Monday because of the enterprise's disastrous finances, AP reports from Warsaw.

Romania closer to privatisation

Romania's upper house of parliament yesterday voted to pass a privatisation bill designed to take the country closer to a market economy, Reuter reports from Bucharest.

Under the bill one-third of state businesses will be distributed to the adult population through vouchers used to buy shares. The rest will be privatised piecemeal through auctions, direct sell-offs and joint ventures.

Aids tests for German doctors

GERMANY'S health ministry and doctors' associations agreed yesterday to recommend regular voluntary Aids testing for doctors and dentists who could cut themselves and infect patients, Reuters reports from Bonn.

Ms Gerda Hasselfeldt, the health minister said this was prompted by a US case in which a young woman was infected by her dentist.

Debriefing Turkish swimming trunks

Turkish men can now buy "Islamic style" bathing costumes which cover the body from hip to knee and do not cling to the figure when wet, Reuter reports from Ankara.

They come from the Tekbir Tesettur Giyim factory in the central city of Kayseri, which specialises in religiously correct clothing, the semi-official Anatolian News Agency reported.

Lisbon attacked by industry

The Confederacao da Industria Portuguesa (CIP), Portugal's largest industrial association, yesterday criticised the government's economic policies and accused it of failing to assist Portuguese industry, writes Patrick Blum in Lisbon.

High inflation, high interest rates and a strong escudo has seriously undermined the ability of Portuguese companies to export, while tight monetary controls denied them cheaper credit outside Portugal, Mr Pedro Ferraz da Costa, the CIP president, said.

Austria to buy missiles

Austria's coalition government, citing conflict in Yugoslavia as a factor, said yesterday it would equip its armed forces with advanced anti-aircraft missiles.

Treuhand executive says east German companies have been sold too cheaply

By David Goodhart in Bonn

EAST GERMANY'S privatisation agency, the Treuhand, has been selling companies too cheaply to investors, according to Mr Hero Brahms, the former finance director of Hoesch who is now the deputy-president of the organisation.

Mr Brahms, in an interview with the FT, said the agency initially lacked the expertise to value companies properly. "I know of cases where we have not even included the value of the inventory."

In the past few months the organisation had recruited more people with the relevant expertise and had begun to insist that buyers' promises on investment and jobs were written into sale contracts.

"But we still have problems with reliable valuation information. Profit and loss accounts, are, for example, often unreliable. For buyers who know an east German business well, it is still possible to get very good deals," he said.

Mr Brahms' comments will be seized on by those, mainly on the political left, who have argued that that the organisation is concentrating too much on keeping the headline privatisation figure on a fast rising curve (2,600 at the latest count) while doing too little to restructure companies and enhance their value for sale.

Mr Brahms denied there was any conflict between privatisation and restructuring and said the Treuhand had only recently started to receive the business plans from its companies on which it could make decisions about future investment support.

Although the agency's internal organisation had improved, he admitted there were still highly uneven levels of competence between departments, a result of failing to screen candidates properly when the Treuhand was growing quickly at the end of last year.

"We are dealing with this problem. We are currently reviewing the competence of all senior staff," he said. He added that the organisation was neither a civil service department nor a business, and lacked a "culture" of its own.

Mr Brahms criticised some of the west German businessmen who had been recruited as supervisory board chairmen for the larger east German concerns. He said several of them were obstructing the necessary break-up of the bigger east German companies. "Unfortunately some people feel they have inherited a small empire and they must hold it together," said Mr Brahms.

● The Treuhand has not been active enough in selling property, according to Mr Hans Krämer, the executive member responsible. He said that so far the organisation had sold only a few hundred plots of land and received a total of DM750m (£253m) . The organisation is currently preparing a sales dossier for 800 pieces of land.

SPD leader calls for more intervention

By David Goodhart in Bonn

A MORE interventionist strategy for east Germany including preference for east German goods in public purchasing, guaranteed space for east German goods in the main retail chains, and debt forgiveness for farmers, was yesterday proposed by Mr Björn Engholm, leader of Germany's Social Democrats (SPD), after a tour of the eastern region.

Mr Engholm criticised the government and the Treuhand privatisation agency for an excessively laissez-faire attitude. It was a delusion to imagine that a new industrial structure could be quickly established if the existing one was allowed to collapse.

He cited the example of industrial research and development where, he claimed, 86,000 scientists had worked in the old East Germany compared with less than 30,000 now. More than half the 86,000 had either retired early or were unemployed, 10 per cent were working in west Germany and 10 per cent had other jobs.

Mr Engholm saw encouraging signs in the retail business, small trading and the building industry. However, the Treuhand had to play a more active role in managing and investing in the large industrial companies under its control.

Without an active industrial policy, Mr Engholm said, it would be impossible to reduce the numbers leaving east Germany (estimated at 120,000-150,000 a year) or the number commuting to west Germany estimated at more than 300,000.

Labour talks deadlocked in Italy

By Haig Simonian in Milan

TRIPARTITE talks among Italy's government, trade unions and employers on output costs, public sector pay and tax evasion ended yesterday with no substantial progress on the main issues.

The talks, which resume in September, are part of an effort to reduce labour costs and combat inflation. Since the lira joined the European monetary system's narrow band last year, the government's scope for compensating relatively high cost increases for Italian products through currency depreciations has been considerably limited.

Employers have stressed the need to tackle high labour costs and social security contributions, which they see as the main cause of the continuing erosion in competitiveness.

However, the negotiations, which opened in mid-June, have been complicated by the conflicting priorities of the groups involved. While union representatives have concentrated on wage reform and steps to tackle tax evasion, employers have stressed the need to amend the *scala mobile* system which links pay rises to inflation.

As a result, the talks, which were never expected to be easy, have so far failed to make much headway.

Algeria to receive FFr4.4bn credits

By Francis Ghilés

FRANCE HAS announced a package of credits worth FFr4.4bn (£430m) to Algeria following the visit by Mr Pierre Bérégovoy, the French economics minister, to Mr Sid Ahmed Ghozali, the new Algerian prime minister, on Monday.

Mr Bérégovoy said he would also encourage Credit Lyonnais to speed up its attempts to raise a $800-$1bn bank credit, whose aim is to refinance principal commercial bank debt due in 1990-1991. He also said that Total was close to signing an agreement with the Algeria state oil and gas monopoly, Sonatrach, allowing the French company to acquire a 20-25 per cent stake in Algeria's Hassi Messaoud oil field.

Mr Ghozali reiterated his commitment to accelerate the settling of Algerian payments arrears to France. Delays since September 1989 have been the subject of much concern in Paris. He also repeated his government's commitment to avoid rescheduling its $25bn foreign debt and seek all means to refinance payments of principal over the next few years.

The French package includes five separate loans:

● FFr2bn is the reactivation of the second tranche of a FFR4bn loan agreed in 1989 and which was never drawn down, half of which is in the form of 30-year concessionary financing.

● Two of FFr1bn each will be raised on market terms and carry a guarantee from the French export credit guarantee organisation, Coface. The first will be used to import cars from Renault and Peugeot, the second consumer goods.

● FFr300m will be used to import spare parts for priority sectors of the economy.

● FFr100m will help finance joint ventures between French and Algerian companies.

France is also expected to provide credits which would allow Algeria to buy 1m tons of cereals later this year.

If all these credits are drawn down, this will bring the value of loans to Algeria guaranteed by Coface to FFr36bn, thus confirming Algeria as its third largest customer after the Soviet Union and Iraq.

In a further development, the Ecu500m (£347m) loan guarantee in support of Algeria's recovery approved by EC heads of government early this month will only be activated once the Credit Lyonnais-led operation has been completed.

The Director General of the IMF, Mr Michel Camdessus has congratulated Algeria for its "courage" in accepting to pay the debts it had contracted.

Opposition walk-out, Page 6

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THE MOSCOW SUMMIT

Bush stresses need to unleash business spirit

By John Lloyd and Lionel Barber in Moscow

PRESIDENT George Bush took the opportunity in his speech to the Moscow State Institute for International Relations yesterday to preach a small sermon about capitalism to Mikhail Gorbachev, his counterpart at the Moscow summit.

"A shortage of foreign capital is not what plunged your economy into crisis, nor can your economic ills be cured by an infusion of cash. Only through real reform can the Soviet Union abolish the counter-productive command economy – only through real reform can the Soviet Union unleash the ingenuity, the energy and the entrepreneurial potential of its people."

This, he said, needed a plan, which must be worked out between the Soviet Union and the International Monetary Fund and World Bank (their teams are already beginning work). The programme must "set out priorities... progress rests on the pace of reforms, on the speed with which you move from a system based on command and control to one based on supply and demand." This would be in contrast with the plan which Mr Gorbachev brought to the Group of Seven summit in London earlier this month, though Mr Bush was too polite to say so.

He was frank enough to say the problem was not just that the Soviets did not need cash, but that the west was not awash with it. Instead of grandiose government-to-government aid, the two sides "must bring together the businessmen from Europe and America, and their partners from all over the Soviet Union" to discuss concrete projects and possibilities for investment.

In a lunchtime talk yesterday with President Nursultan Nazarbayev of Kazakhstan, Mr Bush got down to one such instance. The development of the Tengiz oil field in Kazakhstan, potentially one of the richest in the world, had been granted to the US Chevron company. The deal is now stalled because of two separate Soviet commission reports casting doubt on the propriety of the agreement and the over-generosity of the terms conceded by the Soviet side.

US officials see the deal as a test case, one in which the division of powers between the centre and the republics must be clarified and firm guarantees given for the prosecution of the venture, if this and further deals are to be clinched. However, both sides recognise that private investment will need a framework within which they can operate comfortably – and that needs, besides a clear reform process, signals from the US that it now treats the Soviet Union as a friendly, rather than a potentially hostile, country.

Apart from the granting of MFN trade status, bilateral investment and tax treaties are to be proposed, designed to give equal opportunities to US investors in the Soviet Union and to avoid double taxation.

At the same time, training and experience-sharing programmes will be built up in energy and defence conversion. In the latter, for example, groups of defence industrialists will be brought to the US to be shown "how the defence industrial system functions in a market economy."

The substance of the agreements is still slender: the main message from the US is still – we will assist, but only if you make the big efforts. "As in eastern Europe, our assistance will keep pace with your reforms," said Mr Bush. Mr Gorbachev has now received that message in many forms: the question now is, his will and ability to act upon it.

Treading warily over independence issue

MR George Bush yesterday met Russian President Boris Yeltsin and Kazakh President Nursultan Nazarbayev – but none of the Baltic leaders, or any from those republics which have so far refused to sign the union treaty, John Lloyd and Lionel Barber write.

For Mr Bush, under fire from domestic critics for ignoring the Soviet republics now demanding freedom, the Moscow summit represents a delicate balancing act between distancing himself from the Soviet centre and his anxiety to support President Mikhail Gorbachev.

"Who do we support?" Mr Bush asked rhetorically in his speech yesterday.

The answer: "American stands with the forces of freedom and reform – wherever they are found."

This ringing phrase covers more than it reveals. In the battles between the Soviet centre and the republics, the participants are rarely easily divided into those for or against reform. Nor is Mr Bush making more than a measured genuflection to republican independence.

George Bush meets Boris Yeltsin yesterday for talks on Russian trade and economics

The conclusion of the union treaty appeared to come closer yesterday when Mr Yeltsin announced he was ready to sign it. However, the treaty is likely to be held up by the refusal of the Ukrainian leadership – whom Mr Bush visits tomorrow – to consider signing it until they have agreed on a new republic constitution in the autumn, or later.

While relations between Mr Gorbachev and the republican leaders have improved, they remain touchy, and this touchiness spilled over to the summit yesterday. Mr Yeltsin did not attend a planned joint meeting with Mr Bush and Mr Gorbachev.

His office said an invitation to lunch with them arrived too late to be accepted.

Mr Bush is now putting one foot gingerly out to test the firmness of the republics' developing independence. He keeps his weight, however, on the foot which still stands on the base he has built with the Soviet president – hoping it will remain firm.

Israel to be pressed over Middle East peace conference

PRESIDENT George Bush will hold talks today with President Mikhail Gorbachev in a joint effort to secure a final response from Israel on whether to attend a Middle East peace conference, Lionel Barber writes.

The US and Soviet Union intend to act as co-sponsors of a regional conference and the two leaders were hoping to announce the date for a meeting between Israel and the Arab states at the Moscow summit.

However, Israel has sent mixed signals on participating in a regional conference and has passed word that it would like Mr James Baker, US secretary of state, to return to Jerusalem to iron out final differences.

Mr Baker is expected to leave for Jerusalem after the Moscow summit. But US officials played down a suggestion that he would be accompanied by Mr Alexander Bessmertnykh, Soviet foreign minister.

Mr Baker and Mr Bessmertnykh spent much of yesterday discussing the next steps in the Middle East process amid signs of some frustration that Israel had yet to deliver a final reply.

Mr Bessmertnykh dangled the prospect of establishing formal diplomatic recognition of Israel if progress on a peace conference could be made. "We may be close to re-establishment" of relations, he said.

The US and Soviet Union have described their close consultations on the Middle East as an example of the new partnership between Washington and Moscow. Agreement on a peace conference would be a considerable fillip for Mr Bush and Mr Gorbachev.

However, Israel has voiced concern about the issue of Palestinian representation and has objected to Palestinians from east Jerusalem attending. The status of the holy city is one of the central issues in the Israel-Arab conflict.

Doubts rise over value to Moscow of MFN status

By Nancy Dunne in Washington

PRESIDENT George Bush's widely expected concession on Most Favoured Nation (MFN) status for the Soviet Union yesterday was the first summit dividend for President Mikhail Gorbachev. However, trade analysts have doubts about the value to the Soviet Union of the change, which grants the recipient the lowest possible tariffs. Some say there is so little that Americans want to buy from the Soviet Union that tariff rates will matter very little.

About half of all US imports from the country already enter duty-free. These include precious metals, anhydrous ammonia, art, sable skins and tractors.

However, vodka imports will gain, and some investors interested in joint ventures to produce exportable products may be encouraged to move ahead on the grounds that there will be a payoff in hard currency.

While Mr Bush has rebuffed suggestions that the US pour dollars into a reform effort for the Soviet economy, the US Export-Import Bank, the country's export credit agency, has at last begun to announce final commitments for loan guarantees.

The first of these is a \$19.6m (£11.6m) sale of battery making equipment and related services from Exide, of Troy, Michigan. The second, approved last week, is for the purchase of automotive piston manufacturing equipment from Cross of Fraser, Michigan. Moskvich Production is buying the equipment for use in the production of car engines.

Both deals were concluded in principle last year, before the Eximbank renewed its activities in the Soviet Union in January after a break of 17 years. However, the sellers were unable to obtain financing to support the transactions.

The bank is limited by law to granting no more than \$300m in guarantees for Soviet purchases. However, Mr Bush is expected to ask for a higher ceiling or no limit at all.

Eximbank has received applications for credit guarantees totalling more than \$1.5bn. Most are for capital equipment and machines to make cars, tyres and airport infrastructure.

The agency has responded with several preliminary commitments. One of these is for the sale of personal computer systems for the Soviet State Committee for Public Education. Another would sell circuit etching equipment for personal computers.

The Bush administration has been more than willing to provide credit guarantees for food purchases. After an initial \$1bn granted last January, \$1.5bn more was approved earlier this summer to boost lagging grain exports.

The Soviets have also received export subsidies for most of their wheat purchases. Although the administration has insisted that the EC phase out its own farm trade subsidies, it is expecting to spend \$900m on its controversial "export bonus programme" in fiscal 1992.

Mr Edward Madigan, US agriculture secretary, wants to raise his department's \$5bn credit guarantee limit since half of that has been set aside for the Soviets.

What today's Start treaty will mean

THE Strategic Arms Reduction Talks (Start) treaty, to be signed today in Moscow by Presidents Mikhail Gorbachev and George Bush, will have the following effects, Reuter reports from Geneva:

■ The Soviet Union will have to cut its strategic nuclear arsenal by more than 35 per cent to around 7,000 warheads from about 11,000 warheads, though these numbers are not written into the treaty.

■ The US will in practice have to cut its arsenal by about 25 per cent to around 9,000 warheads from about 12,000.

The treaty's detailed provisions are:

- Officially, each side must cut back to 6,000 "accountable" warheads on strategic nuclear weapons.
- The treaty undercounts bombs and missiles launched from bombers, considered to be less destabilising since they can take 10 to 20 times as long as ballistic missiles to reach their destination and can meanwhile be recalled or shot down.
- Under the overall limit of 6,000 accountable warheads, a sublimit is set of 1,540 warheads on 154 of the destabilising heavy intercontinental ballistic missiles (ICBMs). This will require a halving of the Soviet Union's heavy SS-18 arsenal. The US has no heavy ICBMs and no new ones may be built.
- A limit of 1,600 Strategic Nuclear Delivery Vehicles – that is, ballistic missiles themselves (as opposed to warheads) as well as bombers.
- A limit of 4,900 ballistic missile warheads.
- A limit of 1,100 warheads on deployed mobile ICBMs.
- Intrusive verification measures to ensure compliance, including short-notice inspections at strategic weapons facilities and continuous monitoring of mobile ICBM production facilities.
- No transfer of strategic weapons to third countries, though there will be no interference with existing arrangements such as US weapons supply to Britain. But there will be no inspections for weapons in third countries.
- The treaty will last 15 years, renewable for successive five-year periods.
- The limits affect deployed ICBMs and submarine-launched ballistic missiles (both categories have ranges of more than 3,400 miles), and missiles and bombs launched by heavy bombers; but they do not apply to sea-launched cruise missiles (SLCMs) because of the difficulty of verification.
- Each side will provide annual, politically binding declarations detailing the number of long-range nuclear SLCMs it plans to deploy over the coming five years. But in any case neither side may deploy more than 880 long-range nuclear SLCMs.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

PAN AM CORPORATION et al.,

Debtors.

Chapter 11 Case Nos.
91 B 10080 (CB)
through 91 B 10087 (CB)

NOTICE OF BAR DATE FOR FILING PROOFS OF CLAIM AND PROCEDURE THEREFOR

Notice is hereby given that, pursuant to an order of this court, dated June 26, 1991, and in accordance with Bankruptcy Rule 3003 (c) (3), the court has set a bar date of SEPTEMBER 19, 1991, AT 5.00 P.M., EASTERN DAYLIGHT TIME (the "Bar Date"), and has prescribed procedures for filing proofs of claim against debtors Pan Am Corporation (91 B 10080 (CB)), Pan American World Airways, Inc. (91 B 10081 (CB)), PAA Corp (91 B 10084 (CB)), Pan Am Express, Inc. (91 B 10082 (CB)), Pan Am Shuttle Inc. (91 B 10083 (CB)), Alert Management Systems, Inc. (91 B 10087 (CB)), Allmat International, Inc. (91 B 10086 (CB)), and *Pan Am Commercial Services, Inc. (91 B 10085 (CB)) in the above-captioned chapter 11 cases (collectively, "Debtors"). The deadline and procedures set forth* herein apply to all claims of whatever character, arising before January 8, 1991, the date of commencement of Debtors' chapter 11 cases, against any Debtor or its estate, whether secured or unsecured, liquidated or unliquidated, fixed or contingent. IF YOU ARE REQUIRED TO FILE A PROOF OF CLAIM BUT DO NOT DO SO IN THE MANNER AND TIME PRESCRIBED, YOUR CLAIM WILL BE FOREVER BARRED, YOU WILL NOT BE ENTITLED TO ANY DISTRIBUTION ON THAT CLAIM OR TO VOTE ON ANY PROPOSED PLAN OF REORGANIZATION, AND WILL RECEIVE NO FURTHER NOTICES REGARDING YOUR CLAIM.

1. WHO MUST FILE:

You must file a proof of claim if you have a Prepetition Claim (as defined below), unless your claim is of a type described in Paragraph 2 or 4. A Prepetition Claim is defined as a claim that arose before January 8, 1991 in chapter 11 case nos. 91 B 10080 (CB) through 91 B 10087 (CB).

2. WHO SHOULD NOT FILE:

Do NOT file a proof of claim if you do not have a Prepetition Claim against any of the Debtors. This notice is being sent to many who may not have a Prepetition Claim or who are otherwise not required to file a proof of claim. The fact that you have received this notice does not mean that you have a *Prepetition Claim or that either Debtors or the court think that you have a Prepetition Claim:*

3. PROOFS OF INTEREST:

You are NOT REQUIRED to file a proof of interest by reason of your ownership of shares of common stock of Pan Am Corporation. Future notices to stockholders will be based on transfer agent records.

4. WHO IS NOT REQUIRED TO FILE A PROOF OF CLAIM, BUT MAY DO SO:

You ARE NOT REQUIRED to file a proof of claim, but may do so, if any of the following applies to you:

(a) You have already filed a proof of claim. You may change your Prepetition Claim by filing another proof of claim and designating it as an amended proof of claim.

(b) Your Prepetition Claim is listed on the schedules filed by Debtors with the court on May 8, 1991 or any amendments thereto and is not listed as "disputed," "contingent," or "unliquidated," and you agree that your claim has been scheduled accurately.

(c) *Your claim relates only to the principal of and interest payable on the following public debt securities of Pan American World Airways:* 9% Convertible Senior Subordinated Debentures due 2010, 15% Senior Debentures due 2004, and 13.5% Senior Debentures with Limited Subordination due 2003. Pan American World Airways has scheduled its liability for the principal of and the interest payable on those securities. Holders of record of those securities at the commencement of distributions will receive any distributions under any confirmed chapter 11 plan or plans for the Debtors.

(d) Your claim relates only to the principal of and interest payable on Pan Am Corporation Swiss Dual Currency Bonds due 1995. Pan Am Corporation has scheduled a liquidated amount respecting its liability for the principal of and the interest payable on those securities. Holders of record of those securities at the commencement of distributions will receive any distributions under any confirmed chapter 11 plan or plans for the Debtors.

5. MULTIPLE CLAIMS

If you have more than one Prepetition Claim, you should apply Paragraphs 1, 2 and 4, separately, to each of your Prepetition Claims. For example, if you have one Prepetition Claim that should not be filed and a second Prepetition Claim that must be filed, you should file a proof of claim as to the second Prepetition Claim only.

If you have Prepetition Claims against more than one of the Debtors, you should file a separate proof of claim for each Debtor.

6. WHEN AND WHERE TO FILE:

The deadline for filing a proof of claim is 5:00 p.m., Eastern Daylight Time, on September 19, 1991. YOU MUST FILE THE ORIGINAL OF EACH PROOF OF CLAIM, INCLUDING ANY ATTACHMENTS, AT THE FOLLOWING ADDRESS BY MAIL TO:

Bankruptcy Clerk - Pan Am Claims
Post Office Box 1017
Bowling Green Station
New York, New York 10004

OR IN PERSON TO: Office of the Clerk, United States Bankruptcy Court, One Bowling Green, New York, New York 10004

A PROOF OF CLAIM IS NOT FILED UNTIL IT IS RECEIVED BY THE CLERK OF THE BANKRUPTCY COURT. IF YOU ARE SUBMITTING YOUR PROOF OF CLAIM BY MAIL, YOU MUST ALLOW SUFFICIENT TIME FOR DELIVERY. This deadline is absolute, unless your claim:

(a) Arises from the rejection by debtors after the bar date of an executory contract or an unexpired lease, in which case the deadline will be fixed by the court in the order approving the rejection.

(b) Arises from a recovery by Debtors of an avoidable transfer made to you, in which case the deadline will be 30 days after entry of the court order or judgement for recovery of the transfer.

(c) Is a tax claim described in Bankruptcy Code section 502(i), 11 U.S.C. § 502 (i), that does not arise until after the Bar Date.

7. WHAT TO FILE:

If you file a proof of claim, proof of claim forms must conform substantially to the form of Official Form Nos. 19, 20, or 21. If you received this notice by mail, it should be accompanied by the appropriate form. If you received this notice by publication or any other means, you may obtain the appropriate forms from the Clerk's Office of any United States Bankruptcy Court. FAILURE TO USE THESE FORMS MAY RESULT IN A DELAY IN PAYMENT OF YOUR CLAIM. PLEASE TAKE FURTHER NOTICE THAT ALL PERSONS AND ENTITIES OTHER THAN THOSE DESCRIBED IN PARAGRAPHS 2, 3 AND 4 ABOVE MUST FILE A PROOF OF CLAIM ON OR BEFORE THE SEPTEMBER 19, 1991 BAR DATE IN THE ENGLISH LANGUAGE AND ANY AMOUNTS CLAIMED THEREIN MUST BE CONVERTED TO UNITED STATES DOLLARS AS OF THE CLOSE OF BUSINESS JANUARY 7, 1991 USING THE RATES REPORTED IN THE WALL STREET JOURNAL, OTHERWISE THE HOLDERS OF SUCH CLAIMS SHALL BE FOREVER BARRED FROM VOTING UPON OR RECEIVING ANY DISTRIBUTION OF CASH OR PROPERTY UNDER ANY PLAN OF REORGANIZATION, OR FROM ANY SUCCESSOR TO A DEBTOR.

8. ADDITIONAL REQUIREMENTS:

(a) *If you are a stockbroker or other agent of a bondholder (including a record holder or depository agent) and you hold a debt of any of the* Debtors as trustee, as nominee, in street name or otherwise, you must transmit a copy of this notice to each beneficial holder of any such security within five days of your receipt of this notice. Upon request, Debtors will supply you with the necessary additional copies of this notice.

(b) YOU SHOULD INCLUDE ALL CLAIMS AGAINST A DEBTOR ON A SINGLE PROOF OF CLAIM FORM (EXCEPT EMPLOYEE WAGE CLAIMS WHICH MUST BE FILED ON A SEPARATE PROOF OF CLAIM FORM).

(c) YOU SHOULD ATTACH TO YOUR COMPLETED PROOF OF CLAIM FORM COPIES OF ANY WRITINGS UPON WHICH A CLAIM IS BASED.

9. FURTHER INFORMATION:

If you have a question about this notice, you may contact the Pan Am Bankruptcy Noticing Center at Poorman-Douglas Corporation, 1325 Southwest Custer Drive, Portland, Oregon 97219 (503) 245-5555 during the hours 9:00 A.M. to 5:00 P.M. (Pacific time) or Pan Am Corporation, 8 King Road, Rockleigh, New Jersey, (201) 767-2012 during the hours 9:00 A.M. to 5:00 P.M. (Eastern time).

If you have questions concerning unsecured creditors of Debtors, you may contact Counsel for the Official Committee of Unsecured Creditors during the hours 10:00 A.M. to 5:00 P.M. (Eastern time), Monday through Friday at: Milgrim, Thomajan & Lee, 53 Wall Street, New York, New York 10005, (212) 858-5300.

The schedules in Debtors' cases are available for inspection during regular business hours, Monday through Friday, at the offices of Poorman-Douglas Corporation, 1325 Southwest Custer Drive, Portland, Oregon 97219; at the offices of Pan Am Corporation, 200 Park Avenue, 9th Floor, New York, New York 10161; and at the office of the Clerk of the United States Bankruptcy Court, Southern District of New York, 6th floor, One Bowling Green, New York, New York 10004-1408.

Debtors' Counsel is Cleary, Gottlieb, Steen & Hamilton, One Liberty Plaza, New York, New York 10006.

ANY OTHER QUESTIONS, SUCH AS WHETHER YOU SHOULD FILE A PROOF OF CLAIM OR TAKE ANY OTHER ACTION WITH RESPECT TO YOUR PREPETITION CLAIM, SHOULD BE DIRECTED TO YOUR ATTORNEY.

Dated: New York, New York
July 31, 1991

THE INSOLVENCY ACT 1986
APPOINTMENT OF ADMINISTRATIVE RECEIVERS
TEMPBRIDGE HOLDINGS LIMITED - REGISTERED NUMBER 1464778
TEMPBRIDGE LIMITED - REGISTERED NUMBER 1534104
TEMPBRIDGE MARTON LIMITED - REGISTERED NUMBER 1534306
D.T. LEASING LIMITED - REGISTERED NUMBER 2046340 (formerly TEMPBRIDGE LEASING LIMITED)

NOTICE HEREBY GIVEN, pursuant to Section 46(1) of the Insolvency Act 1986, that H C Brunt and R M Withinshaw of Kidsons Impey, Chartered Accountants, Bank House, 8 Cherry Street, Birmingham, B2 5AD, were appointed as Joint Administrative Receivers of the above companies on 18th July 1991 by The Royal Bank of Scotland plc under the terms of debentures all dated 8th March 1990 conferring fixed and floating charges over the whole of the assets of the companies.

Dated this 24th day of July 1991

H C BRUNT
JOINT ADMINISTRATIVE RECEIVER

PERSONAL

CLUBS

COMPANY NOTICES

AIP FINANCE N.V.
US $15.000.000
GUARANTEED FLOATING RATE NOTES 1994

The interest rate applicable to the above Notes in respect of the interest period commencing 31st July 1991 will be 7¼% per annum.
The interest amounting to US $180.49 per US $5.000 principal amount of the Notes and to US $360.97 per US $10.000 principal amount of the Notes will be paid on 31st January 1992 against presentation of coupon No. 9.

BANK LEUMI (UK) PLC
Principal Paying Agent

bank leumi בנק לאומי

LEUMI INTERNATIONAL INVESTMENTS N.V.
US $60.000.000
GUARANTEED FLOATING RATE NOTES 1993

The interest rate applicable to the above Notes in respect of the interest period commencing 31st July 1991 has been fixed at 6½% per annum.
The interest amounting to US $33.22 per US $1.000 principal amount of the Notes will be paid on 31st January 1992 against presentation of coupon No. 17.

BANK LEUMI (UK) PLC
Principal Paying Agent

bank leumi בנק לאומי

AMERICAN NEWS

Consumers show little faith in early recovery

US confidence index stays weak

By Michael Prowse in Washington

US CONSUMER confidence has *failed to climb above levels* indicating a "feeble economy", the Conference Board, a non-profit New York-based business analysis group, said yesterday.

The board's closely-watched index of consumer confidence registered a disappointing 77.7 in July, fractionally below last month's level of 78.

The index rose sharply in March following the allied victory in the Gulf war but has *since drifted lower and* remains well below levels that would indicate a brisk economic recovery.

The index registered 101.7 at the start of the recession last July, and between 100 and 120 *for much of the preceding* three years.

Separate figures yesterday for home sales, however, were more encouraging. The Commerce Department said sales of new houses rose 7.4 per cent in June *to a seasonally adjusted* annual rate of 525,000, well ahead of analysts' expectations.

The June figures, which followed a dip in May, were the best since last summer and offer *further evidence that* the fitful recovery of the US housing market is gaining momentum. Housing starts and building permits have also risen in recent months.

Mr Fabian Linden, for the *Conference Board,* said the confidence figures offered only faint signs of an economic recovery. "Certainly, there are no indications of a vigorous rebound."

The figures are based on a *monthly survey* of 5,000 US families.

The confidence survey provides the first important economic data for July.

If employment statistics and the purchasing managers' *index, due later this week,* are also disappointing, the Federal Reserve, the US central bank, may come under increasing pressure to cut interest rates again.

Some Fed policymakers are reportedly also worried by a slowdown in monetary growth to an annual rate of less than 3 per cent in recent months.

The latest confidence figures show a continuing discrepancy between consumers' assessment of current and future conditions. The increase in the overall index since February is entirely due to rosier expectations.

An index measuring the "present situation" is lower today than at the height of tension over the Gulf and stands at less than half the level registered at the start of the recession.

Stanford president to resign

By Peter Riddell

MR Donald Kennedy, president of *Stanford* University in California, one of the leading universities in the US, is to resign following a scandal over alleged misuse of federal research grants.

The row, which has implications for several of the US's *other prominent* research and higher education institutions, concerns allegations by auditors that Stanford boosted its grants by charging the federal government for maintenance of facilities or administrative overhead costs that had little do with the projects concerned.

In Stanford's case the definition of these "indirect" costs was broadened to include spending allegedly on antique furniture and fresh flowers for *Mr Kennedy's* home.

Stanford receives about $240m (£143m) a year in federal research funds, *second only to* Johns Hopkins University in Baltimore, although in April the government cut $18m from the university's request for indirect cost support.

Having previously defended the accounting practices, the unversity has withdrawn $1.3m in charges to the government *which it now says* were errors or inappropriate. Last week the university launched a new accounting plan to strengthen accountability in the use of public grants.

Mr Kennedy, who has been president of Stanford since August 1980, said he would step down in a year's time to permit a wide search for his successor. "It is very difficult for a person identified with a problem to be the spokesman for its solution," he said.

Property conditions in US 'improving'

PROPERTY market conditions in most of the US may be improving slightly, according to a survey conducted by the Federal Deposit Insurance Corporation, writes Peter Riddell.

The finding, if confirmed, could be the first good news in some time for US banks; many of their current problems are the result of weakness in property markets, especially in the north-east.

The survey, based on a poll in mid-July of 500 real estate experts in FDIC field offices, shows improved conditions compared with a similar survey last April in all areas except the west, where residential markets held steady and commercial markets showed a slight decline, notably in southern California.

The FDIC has been predicting 400 bank failures this and next year. According to Mr William Seidman, FDIC chairman, a sustained upturn in property markets could take at least six months to filter through to banks, but eventually could ease the failure rate.

The results are expressed in an index where a reading around 50 indicates a stable market, one below 50 indicates a declining market and one above 50 points to improving conditions. Nationally, the composite index for both residential and commercial markets rose from 61 in April to 64, including a sharp improvement in the south.

The commercial index edged up from 47 to 51 nationally, with the north-east improving slightly from 34 to 38, but from 49 to 58 in the south. In the west the index fell from 56 to 53.

Drexel settles claims outstanding with US revenue service

By Nikki Tait in New York

DREXEL Burnham Lambert, the once high-flying investment bank which filed for Chapter 11 bankruptcy protection last year, said last night it had settled outstanding claims against it by the US Internal Revenue Service.

The IRS claim – initially for over $5bn (£2.9bn) – had been seen as a big obstacle to a settlement reached in May by the investment bank, the parties which had brought securities law suits against it, and its creditors.

Under this deal, the securities litigation against Drexel would end, and Drexel's $2.5bn estate would be divided, according to a complex formula, among the parties who had brought these suits and the various creditors.

A small on-going operation would also emerge from the Chapter 11 process, managing Drexel's most illiquid investments – although in the longer term, this would probably be sold, or its value realised in some way.

The tax authorities, however, had filed a $5.3bn claim against Drexel, and had this not been settled, the deal between litigants and creditors could have been aborted. In the event, Drexel has agreed to pay the IRS $183m plus interest of $107m.

The first sum is payable when Drexel's plan of reorganisation goes through, and the interest over not more than six years.

Canada-France fishing ground hearing starts

AN international court of arbitration has begun hearings in New York to settle a protracted boundary dispute between Canada and France over fishing grounds in the north-west Atlantic, Bernard Simon reports from Toronto.

The dispute involves France's claim that its two island-dependencies, St Pierre and Miquelon, are entitled to a 200-mile fishing zone. Canada contends that the islands, 12 miles south-west of Newfoundland, should be limited to a 12-mile zone.

The area in dispute includes part of the Grand Banks, one of the north Atlantic's richest fishing areas. The stakes have been raised by recent oil finds off other parts of Newfoundland and Nova Scotia.

The tribunal's decision, expected early next year, will be binding.

Democrats in fight to alter budget deal

CONGRESSIONAL Democrats are facing White House resistance to their attempts to modify last year's budget agreement, writes Peter Riddell.

They seek approval, before Congress adjourns on Friday, for a bill to expand unemployment insurance. Under present law, *qualifying workers are* paid up to 26 weeks' normal benefits and can receive an extra 13 weeks' extended benefits when unemployment among insured workers in their state reaches 5 per cent, or exceeds by 20 per cent the state average rate for the previous two years.

The Democrats are proposing to extend benefits by a minimum four or five extra weeks, up to a maximum of 20. They have suggested the extension, costing nearly $6bn, should be paid for either by raising the federal unemployment tax on businesses or by allowing the president to declare an emergency permitting the budget agreement to be breached.

Roger Lafontant: prevented from standing in presidential elections

Life sentence for Haiti coup leader

By Canute James in Kingston

MR Roger Lafontant, a former interior minister in Haiti, was found guilty yesterday of staging a coup in January and sentenced to life imprisonment with hard labour.

Mr Lafontant, 56, is the former head of the Tontons Macoutes, the dreaded militia of the Duvalier family dictatorship which ruled Haiti for 29 years until it was overthrown in a popular uprising.

A court in Port-au-Prince, the capital, also found 21 of Mr Lafontant's colleagues guilty of taking part in the coup, during which the rebels controlled the Caribbean country for 11 hours. They were given prison sentences ranging from 10 years to life.

The coup, on January 6, came after Mr Lafontant was prevented from standing in presidential elections last December.

● Five men *who were due to* be hanged in Grenada yesterday for the murder of Mr Maurice Bishop, a former prime minister, have been granted a stay of execution.

Sir Frederick Smith, president of the Grenada appeal court, said the court would have to deal with an appeal motion filed by the convicts' lawyers before the executions could take place. It is not yet known when the motion will *be heard.*

Cavallo wins loan fillip from IMF

By John Barham in Buenos Aires

THE International Monetary Fund has approved a new $1.04bn one-year stand-by loan to Argentina, the country's sixth since 1983. The announcement also unlocks a further $325m in World Bank loans.

One-quarter of the money will be set aside for Argentina's use in future commercial bank debt reduction talks.

The stand-by loan is a badly needed boost for Mr Domingo Cavallo, economy minister, whose strict policies aim to lower inflation by running a budget surplus, deregulating the economy, and opening Argentina's protected market to international competition.

However, analysts in Buenos Aires cast doubts yesterday on the government's ability to comply with the loan's stringent conditions.

Argentina has not complied with any of its recent IMF loans, although *Mr Cavallo* said he would not sign terms of any accord with the Fund that he could not meet.

Fiscal policy is the centrepiece of Mr Cavallo's strategy; it envisages that stable government finances will lower inflation and induce business confidence, allowing the economy to grow 5 per cent this year.

Argentina has promised to generate a primary budget surplus equivalent to 3.5 per cent of GDP, or $4.9bn, in the year to June 1992. It says privatisation receipts of $1.7bn will account for 35 per cent of the surplus. In the second quarter of this year tax and privatisation receipts rose to $7.4bn, generating a $900m primary surplus.

The government must pay interest on domestic and foreign debts out of the budget surplus. The targets will grow steeply after crucial gubernatorial and congressional elections to be held in August, September and October.

An economist at an international bank said: "This target is not feasible as things stand at the moment. After the elections we expect another tax package and more spending cuts." He added there was concern the government might devalue in order to free part of its $5.5bn in *foreign reserves*. By law, all domestic currency in circulation must be backed by foreign reserves.

The devaluation would create an excess of reserves to local currency, allowing the government *to spend some of* its reserves.

The economist added that "by next year the government hopes the broader political relationship with the IMF, foreign governments and the commercial banks will have shifted in its favour, allowing it to reprogramme its performance targets".

Mr Cavallo expects to begin talks with the IMF next year for a three-year extended facility loan and to start final renegotiation of Argentina's $35bn commercial bank debts. Its interest arrears will climb to $9bn by December.

Banks have been impressed by a World Bank analysis of Argentina's structural reforms

None the less, creditor banks were impressed by a positive World Bank analysis of Argentina's structural reforms made at a meeting of the advisory committee, which oversees commercial debt negotiations with Argentina. However, bankers appeared to accept that Argentina is genuinely unable to increase its token $60m monthly interest payments.

WORLD TRADE NEWS

Land Rover in Brazil trade mark dispute

By Christina Lamb

ATTEMPTS by the British company Land Rover to invest in Brazil appeared to be in jeopardy again yesterday as a result of claims by a Brazilian entrepreneur that he was the rightful holder of the Land Rover and Range Rover names and trade marks in Brazil.

The São Paulo High Court was last night deciding on a case brought by Mr Hilton Pereira against the São Paulo state government challenging its right to allow Land Rover to register as a company in the state, claiming he owns the name. If he wins the case, the Land Rover office in São Paulo could be closed down.

Land Rover's problems began earlier this year when they discovered that Mr Pereira, a Rio businessman, had started a company called Land Rover do Brasil through which he was selling Land Rover cars. The Brazilian patent office ruled that Land Rover had lost the right to use the Range Rover or Land Rover names and trade marks as it had not operated in Brazil since 1958.

Land Rover lost its first appeal against this decision but the company seemed confident of winning a new appeal. Company officials and British diplomats pointed out that Brazil is desperate for foreign investment and Land Rover would be the first foreign vehicle assembler to set up in Brazil for 15 years. Land Rover describe the planned investment as "considerable".

However, Mr Pereira has now challenged its right to make a further appeal while continuing to sell Land Rover vehicles brought in from Belgium and France, from his Copacabana office.

Land Rover is furious about the situation. A spokesman said yesterday the company had initiated criminal and civil proceedings against Mr Pereira for "acting in a fraudulent manner". Meanwhile the unrelenting Mr Pereira says he has begun cases against Land Rover's project manager in Brazil for allegedly operating on a tourist visa, its sales manager for allegedly libelling him and both of them for using the Land Rover letterhead on their stationery.

Third World warns on Gatt delay

By William Dullforce in Geneva

DEVELOPING countries yesterday warned the leaders of the seven industrialised powers not to leave until the 11th hour the political decisions needed to save the Uruguay Round trade talks from ignominious failure.

Waiting until the last moment to resolve the impasses would be "a pretext for mediocrity," said Mr Rubens Ricupero, Brazil's ambassador to the General Agreement on Tariffs and Trade (Gatt) and its current chairman.

Delay would mean settling for disappointing results in the name of expediency and would impose "indecent haste" detrimental to the interests of smaller countries.

Mr Ricupero was speaking on behalf of some 40 developing countries at the last session of the round's governing body before negotiations went into their summer recess.

His remarks reflect a widespread fear among Gatt members that the pledge by the seven leaders at their London summit earlier this month to complete the round successfully by the end of the year will mean a botched result to the five-year effort to liberalise world trade.

Separately, Mr Arthur Dunkel, Gatt director-general, warned that it would be self-defeating to expect that last-minute solutions would emerge "through magic or good luck". Later this week, in an attempt to nudge forward the crucial talks on the reform of world farm trade, he will circulate notes elaborating in greater detail some of the options available to governments in reducing agricultural subsidies.

Gatt chairman Rubens Ricupero: "Delay detrimental to smaller countries"

Both Mr Dunkel and Mr Ricupero underlined the contrast between the behaviour of many developing and eastern European countries, which have recently taken independent steps to remove their trade barriers, and that of the big trading powers which have held back concessions as bargaining chips for the last stage of the negotiations.

Were the big powers ready to give a chance to the democratic regimes and market economies that were "changing the face of the earth in central and eastern Europe, in Latin America, Africa and Asia?" Mr Ricupero asked.

Despite the urgency voiced, the trade talks will not resume until the middle of September. The groups negotiating on agriculture and intellectual property rights will meet on September 16 while services negotiators will return on September 17 for a session on maritime transport, where a big obstacle to an agreement liberalising world trade in services has emerged.

An "enormous negotiating effort" would have to be made in October and November, Mr Dunkel said. But, he insisted, all the elements necessary to carry the round to a successful conclusion were at hand.

Governments were in position to move into proper negotiations on farm reform, textiles and clothing, reductions in tariffs and other border barriers to trade and services.

Agreements on anti-dumping and foreign investment could also fall into place fairly quickly once the essential political decisions had been taken, Mr Dunkel said.

However, the crucial stumbling block remains the continuing failure of the European Community to make the concessions on farm reform that would facilitate a compromise with the US.

In private, trade diplomats say that, unless there is a breakthrough in agriculture by the middle of October, the leaders of the seven industrialised powers will be unable to meet their pledge.

● Anthony McDermott adds: If no progress has been made in the Uruguay Round by the middle of October, the British government is looking to Mr Dunkel to make a last-ditch attempt to break a deadlock by putting forward his own proposals, a senior UK government official said yesterday. This he has been reluctant to do until now.

Progress in talks between the US and the EC on agricultural subsidies, which caused a break in negotiations last December, remained the key to an overall success by the current deadline of the end of 1991.

Meanwhile, the UK government remained, on balance, confident that there would be a successful outcome.

It was acknowledged, however, that whatever happened in US-EC meetings in Brussels yesterday, there would be little chance of activity or progress until the second week of September – leaving "seven or eight weeks in which to make or break" the Uruguay Round.

German engineering sees fall in orders

By Andrew Fisher in Frankfurt

GERMANY's mechanical engineering industry, one of the country's main exporting sectors, has suffered one of its steepest ever falls in new foreign orders, the industry association (VDMA) said yesterday.

In the first half of 1991, new foreign business showed a drop of 21 per cent in real terms, with a rise of 4 per cent in domestic orders, much of this reflecting demand associated with economic reconstruction in east Germany. The drop in total orders was 9 per cent. (The figures cover west German companies only.)

The poor order news illustrates difficulties faced by German exporters when imports are soaring because of demand from east Germany.

"The present collapse in foreign demand is greater than in past periods of economic downturn," the VDMA said. This had been caused by recession abroad and the past weakness of the yen and the dollar. Demand had fallen in the US and west and east Europe.

Pentagon plans to sell 20 F-16s to Morocco

By Nancy Dunne in Washington

THE PENTAGON has notified Congress of plans for a $250m sale package of 20 refurbished F-16 fighter jets to Morocco in order to "improve the security of a friendly country."

The sale, following other transactions designed to strengthen defences of US Gulf allies, will transfer aircraft of 1970s vintage to Morocco from US Air Force inventories.

The notice to Congress said that Morocco needed the aircraft to supplement an existing fleet of older fighters and thereby to improve the operational capability of its air force. The aircraft would be used in defence of Moroccan airspace as well as in maritime coastal and territorial patrols. It will be more than a year before pilots and mechanics can be trained and the sale would thus have no immediate impact on developments in Western Sahara where there had been fighting in the past against Polisario guerrillas.

Asean turns to region's trade

After 24 years as a political bloc, the Asian grouping is shifting the stress to free trade, writes Lim Siong Hoon

FOREIGN ministers of the Association of South East Asian Nations last week agreed to forward an Asean Free Trade Area proposal for consideration at the Asean summit in Singapore in January.

If the proposal is adopted, the Asean governments (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) would complete arrangements for such a free trade area by the year 2000. It is intended that it would eventually draw participation from its neighbours, in particular Burma and the Indochina countries of Cambodia, Laos and Vietnam.

Asean's preoccupation with trade is a historical departure from its 24-year life as a political bloc. The problems of Cambodia have occupied its energies for the past decade and, before that, neutrality between the US and the Soviet Union.

Asean officials concede that the new emphasis on economic integration may not be easy. Previous efforts at promoting intra-regional trade have been more symbolic than real. Thousands of products are covered under a tariff harmonisation scheme called a "preferential trading arrangement," but few (they even include snowploughs) matter to the economies of Asean's members.

The nature of the members' economies is one reason the task of creating a common market is likely to remain difficult. All except Singapore still depend heavily on commodities, especially crude oil, rubber, palm oil and tin, though they have moved increasingly into manufacturing, typically of electronic circuit boards, televisions, textiles, shoes and household electrical goods.

Asean members therefore compete with each other for the same export markets. They also compete for capital investment and technology from the same sources – Japan, Europe, the US and more recently Taiwan and Hong Kong.

For these reasons, economic interdependence is small. Intra-regional trade has been stagnant for years at between 18 and 20 per cent of total Asean trade.

The goal of a common market would be to stimulate substantial intra-regional trade flow. This, in turn, rests on expanding co-operation in three areas, elements of which already exist, according to a Thai official:

● By promoting joint-venture industrial production, Asean plans to pool its capital, land and labour so that goods will be able to flow into each other's markets freely. One example, still in its infancy, is called the "brand-to-brand complementation scheme" for motor vehicle parts. By producing different components in separate locations, parts manufacturers share a collective market in which vehicle assemblers can count the components as local content.

● "Growth triangles" are an extension to the idea of pooling resources and in sharing markets. The first of such "triangles" covers the regions of the southern Malaysian peninsula, Singapore and the Indonesian island of Batam. Offshore investments channelled through Singapore are introduced into areas with abundant land or labour in Indonesia or Malaysia.

● The third, and probably the most problematic, area is the expansion of the preferential trading arrangement to reduce trade barriers and harmonise tariffs.

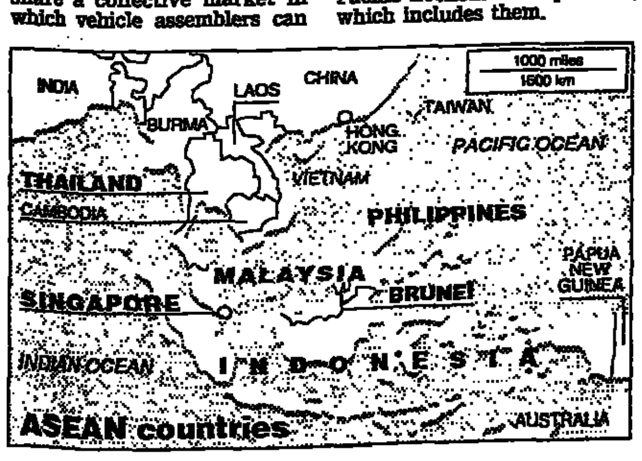
One Asean official sees difficulties in reaching compromises between conflicting national priorities. For instance, rice imports into Malaysia, a net food importer, remain regulated for domestic political and pricing reasons though Thailand has annual rice surpluses. Thailand, in turn, regulates Malaysia palm oil imports.

To foster a common market, Asean members face the enormous task of enlarging the volume and shifting greater portions of their trade towards each other. There have been big shifts, but these mainly reflect the growth of manufacturing industry. Asean members' combined exports to the European Community rose from 9 per cent of their total exports in 1983 to 15 per cent in 1988, and to the US from 20 to 23 per cent. Japan's share fell from 28 to 21 per cent.

However, the free trade area may have a better chance of coming to fruition than the East Asian Economic Grouping (EAEG), a trade alliance proposed by Malaysia. The EAEG was meant to group Asean and its northern neighbours, principally Japan, Taiwan and South Korea.

But the idea, which emerged after the failed talks of the Uruguay Round of the General Agreement on Tariffs and Trade last December, languished after being spurned by the US and treated indifferently by Japan and even some Asean members.

A communiqué issued after the Asean foreign ministers' meeting in Kuala Lumpur last week said there was a need to examine and advance the proposal, but sent it for further study. The US and Canada favour an established though still young grouping, Asia Pacific Economic Co-operation, which includes them.



New Zealand's radical budget targets spending

By **Terry Hall** in Wellington

NEW ZEALAND'S cradle-to-the-grave social welfare system last night underwent radical surgery at the hand of Ms Ruth Richardson, the finance minister, in her first budget.

She slashed government spending and announced ambitious targets aimed at debt reduction and cutting the budget deficit.

She said bluntly that the budget was designed to transform New Zealand by arresting years of chronic overspending by the state. New Zealand's foreign debt amounts to NZ$52bn (£17.7bn).

The budget nevertheless failed to meet the forecast goal of a balanced budget by 1993.

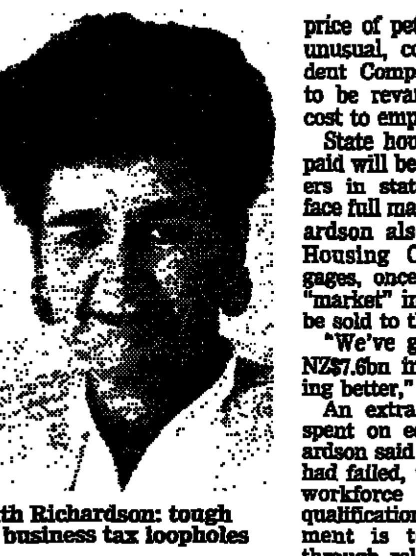
This financial year's estimate is for a budget deficit of NZ$1.739bn, reducing to NZ$528m by 1993-94, while government spending is forecast to drop from 42.9 per cent of gross domestic product in 1990-91 to 37 per cent by 1992-93.

Critics say the budget ends the century-old social welfare philosophies that were strengthened under the first Labour government in 1938. Ms Richardson said the significant changes being implemented in health, accident compensation, social welfare and superannuation would focus only on those in genuine need.

For everyone else a complex system of "user pays" is being introduced, along with an identity or credit card, to be known as a Kiwi Card. This card will permit information sharing among various government agencies to detect fraud.

It will allow the poorest members of society, earning less than NZ$17,000, to get subsidised health care from hospitals and doctors.

A second category of card holders, those earning up to NZ$23,000, will receive a lesser subsidy, and will have to pay $31 a night in public hospitals, while the so-called better off will have to pay for all their health care, including NZ$50 a night for treatment in a public hospital.



Ruth Richardson: tough on business tax loopholes

A new superannuation (state pension) scheme to replace guaranteed retirement income is to be introduced. This will be income-tested, with the age of entitlement lifted progressively to 65. A universal benefit will be available from 70.

Big changes are planned for the public hospital system. All existing hospital boards were to be abolished from midnight last night and replaced by four area hospital boards, one covering the entire South Island. Ms Richardson also announced hefty rises in duties on alcohol and tobacco. The savings would go toward the growing cost of motor accidents, as will a two-cents-per-litre rise in the price of petrol. New Zealand's unusual, comprehensive Accident Compensation system is to be revamped to lower the cost to employers.

State housing for the lower-paid will be subsidised but others in state home units will face full market rents. Ms Richardson also announced that Housing Corporation mortgages, once they had reached "market" interest rates, would be sold to the private sector.

"We've got to manage the NZ$7.6bn investment in housing better," she said.

An extra NZ$25m is to be spent on education. Ms Richardson said the present system had failed, with a third of the workforce having no formal qualifications. Foreign investment is to be encouraged through relaxation of its non-resident withholding tax regime on interest payments.

"This decision will put further downward pressure on domestic interest rates, thereby stimulating investment and economic growth," Ms Richardson said.

She said the government would continue to sell state assets. New Zealand Timberlands, a large area of North Island forest, the Crown's interests on the onshore Taranaki Petroleum field, and the Housing Corporation mortgages, valued at around $NZ1bn, are to be sold. The proceeds would be used to repay external debt.

There were no increases in personal tax, or in the consumption Goods and Services Tax. However, Ms Richardson announced a tough clampdown on business tax loopholes, especially redeemable preference shares which have allowed big companies to pay minimal tax.

Now begins battle for new Beirut

Government gets down to rebuilding Lebanon, writes **Lara Marlowe**

NINE MONTHS after the final battle for Beirut, the Lebanese government is getting down to the staggering task of reconstructing a country devastated by 16 years of civil war.

While individual Lebanese were quick to repair shell holes, repaint buildings and register new companies, the country's basic infrastructure remains in ruins. Government, meanwhile, has been preoccupied with political and security questions.

However, improvements are evident in the banking sector, port and airport facilities and the real estate market. Under the direction of a new governor, Sheikh Michel Khoury, the central bank this year stabilised the Lebanese pound, stopped currency speculation and doubled its foreign reserves to $1bn.

On the strength of political stability and the cessation of violence in the capital, the pound has risen from an all-time low last autumn of 1200 to the dollar to about 895. Central bank officials admit that there is "political pressure" to allow the pound – which traded at 2.5 to the dollar before the war – to rise more quickly. But by allowing the dollar to fall no more than half a pound each day, they have prevented the sharp fluctuations which encouraged speculators.

The International Monetary Fund estimates that Lebanese emigrants possess between $15bn and $20bn abroad. Frustrated by lack of foreign economic assistance, the government is counting on these funds to re-invigorate the economy. Nearly a third of Lebanon's working population fled to the Gulf during the civil war, and most are expected eventually to bring their expertise – and Gulf earnings – back to Lebanon.

The expatriates are cautious, but confidence in Lebanon's fragile peace grows daily. "At first, they were sending a few tens of thousands of dollars," a prominent banker said. "The past few weeks we have received several deposits of more than a million, and six figure transfers have become very common."

Most of the new money in Lebanon is chasing after property. Prices have increased 20 to 30 per cent in the past few months. An unfinished, severely bomb-damaged beachfront concrete structure on the southern outskirts of Beirut recently changed hands for the equivalent of more than $6m. Villas in the ravaged summer mountain resort of Aley are going for upwards of $1m. Gulf Arabs are buying the most expensive properties through Lebanese intermediaries.

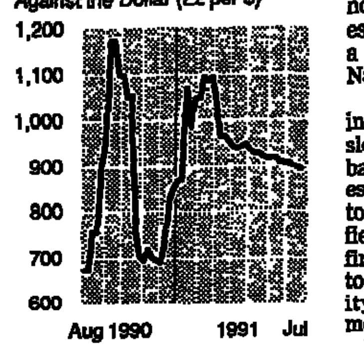
Twenty-three international navigation companies have returned to Beirut port, which earned more than L£5bn in port and customs revenue last month. But, according to Joseph el Khazen, the port director, this volume represents only half 1974 levels.

Fourteen foreign airlines have resumed flights to Beirut International Airport since the war ended, including Air France and Austrian Airlines. KLM was due to become the 15th yesterday.

After the "black hole" of 1989-90, when months of continuous artillery battles and the division of Beirut brought the economy to a standstill, the exuberance of local entrepreneurs borders on the fantastic. There are schemes to attract banks and corporations from Hong Kong to Beirut before 1997 and a plan to produce electricity from burning tyres. And a new association aims to impart Lebanese business acumen to tradition-bound Soviet businessmen.

Lebanese Pound

Against the Dollar (L£ per $)



Source: Datastream

One of the most serious projects, the establishment of the Société Foncière de Centreville for the reconstruction of 1.8m sq metres in Beirut's former downtown area – and a substantial area of landfill on the adjoining seafront – became a *cause célèbre* recently because of the participation of Lebanese-born Saudi multi-millionaire Rafic Hariri. To stop allegations that he was "buying downtown Beirut" Mr Hariri announced that he would not invest in the $1.2bn project after all.

Mr Hariri's role in the salvation of his native Lebanon is pervasive if discreet. All of the government's reconstruction efforts are channelled through the Council for Development and Reconstruction (CDR), under the direction of Mr Fadl Chalak – a trusted Hariri aide. Most of the top positions at the CDR are filled by former Hariri employees and it was Mr Hariri who financed a $5m 18-month study to serve as a basis for a recovery plan.

Saudi Arabia has given $60m to the CDR for roads and sanitation. In 1990, the kingdom contributed $100m to Lebanon's central bank to shore up the pound. But an Arab League fund for aid to Lebanon has not materialised, nor do Lebanese officials expect fruits from a recent visit by the United Nations Development Fund.

The business community is increasingly exasperated at the slow pace of improvements in basic infrastructure. A Lebanese economist and consultant to the government has identified telecommunications as the first priority if the economy is to recover, followed by electricity, water and the environment.

The Lebanese PTT estimates it will take four years and $419m to install a functional telecommunications system. The near total absence of working telephones is "a catastrophe" for the business community, according to Mr Adnan Kassar, the president of the chamber of commerce.

To be able to communicate with the outside world, Lebanese have in recent years purchased some 2,200 Cyprus radio lines: lost revenue for the Lebanese government is estimated at $18m a year.

The lack of electricity – Beirut residents still receive only six hours a day – has been alleviated by private purchases of some 25,000 generator units at a cost of more than $600,000 in recent years. For $250m, the government could restore the war-damaged network already in existence.

The most costly sector will be water treatment and waste disposal. The CDR has begun cleaning the streets of Beirut, but rubbish and sewage are still dumped in the Mediterranean – and are washing up along the Lebanese coast. A comprehensive programme for water treatment and waste disposal would cost nearly $2bn, according to the government consultant.

Japanese to name more favoured stock clients

By **Stefan Wagstyl** in Tokyo

SIX MORE Japanese stockbroking companies are likely to bow to pressure from the authorities this week and disclose the names of clients who received compensation for trading losses.

The move would follow the publication of client lists on Monday by the Big Four brokerages – Nomura, Daiwa, Nikko, and Yamaichi.

The securities companies have been forced to disclose the names in order to counter strong criticism from the finance ministry, politicians and the general public about the unfairness of compensating favoured clients for losses. Compensation payments are not illegal in Japan but contravene finance ministry rules.

There are signs that the disclosures will take the sting out of the attacks on the industry and so begin to defuse a scandal which has claimed the resignations of the president of Nikko and the president and chairman of Nomura.

The lists of 231 clients published by the big four houses were dominated by big Japanese companies and their affiliates, who were together paid Y128bn (£554m). The main interest in the lists, expected to be disclosed by the second-tier companies which paid out Y35bn, is whether they will contain the names of any politicians or political front companies.

The six houses are New Japan, Kankaku, Wako, Kokusai, Sanyo, and Tokyo. They were urged to disclose lists yesterday by the finance committee of the lower house of the Diet, which met yesterday to discuss the scandal.

It is widely suspected that politicians, who reaped bumper trading profits during the bull market, were protected from the worst when Japanese equity prices fell in 1987 and again in 1990-91. But the Big Four's lists contained no evidence of payments to politicians, so there is speculation that the brokers managed to compensate politicians in ways which did not require disclosure.

Meanwhile, moves to reform Japan's stock market rules in the wake of a scandal in the securities industry gathered pace yesterday when an advisory council to Mr Toshi Kaifu, the prime minister, pledged to complete a package of proposals before the end of next month.

Afghan rebels to ponder peace plan

Afghan rebels agreed yesterday to consider a United Nations peace plan as the basis for a settlement ending the 13-year civil war in Afghanistan, Reuter reports from Islamabad. A joint declaration after two sessions of talks between the guerrillas and two of their main backers, Pakistan and Iran, said the participants "recognised positive points" in the five-point plan.

Tehran clashes

Slum-dwellers fought police and municipal workers demolishing unauthorised buildings in a Tehran suburb, setting 13 vehicles on fire, an Iranian newspaper said yesterday, Reuter writes from Tehran.

Australia improves its trade performance

By **Emilia Tagaza** in Canberra

A SLUMP in imports caused by the recession, combined with strong mineral and manufactured exports, has brought about a sharp improvement in Australia's current account position in the past financial year.

The Statistics Bureau yesterday reported a preliminary estimate of a current account deficit of A$15.3bn (£6.9bn) for 1990-91, a reduction of 31 per cent on the previous year's deficit.

The 1990-91 result is also well below the A$18bn deficit forecast in last year's budget.

The rise in exports despite the continuing depressed prices of Australia's traditional rural exports underpins the impressive trade performance during the year.

It vindicates the past five years of painful restructuring of the country's industry to promote non-traditional manufactured exports.

Rural exports during the year fell 9.3 per cent, thanks mainly to a 28 per cent drop in wool and a 25 per cent fall in grain earnings.

In contrast, non-metal manufactured exports rose an impressive 17 per cent.

Mr John Kerin, the federal treasurer, remained true to his reputation for caution when he said the favourable figures would not make the government anything other than restrained in this year's budget, expected to be announced on August 20.

"Putting the statistics in the context of the present budget, what they are saying is that the government and the Australian people are engaged in a long, hard haul," he said.

He added that further improvements in the trade account were necessary to stabilise external debts, which stood at A$16.9bn at the end of 1990-91.

Mr Kerin predicted a current account deficit of about A$18bn in 1991-92.

South India water feud boils over

First test for Rao as a minister resigns

By **K K Sharma** in New Delhi

THE MINORITY Congress government of Mr P V Narasimha Rao yesterday faced its first political test when Mr K Ramamurthy, the minister for labour, resigned from the cabinet and seemed to be leading a revolt against the central leadership by members of parliament from the south Indian state of Tamil Nadu.

Mr Ramamurthy, who was miffed at not being consulted when the government's new industrial policy was formulated, resigned over a 25-year-old dispute concerning the sharing of the waters of the Cauvery river between Tamil Nadu and Karnataka states.

Mr Rao's troubles could grow if the revolt spreads to other members of parliament from Tamil Nadu, a state where a regional party, the All-India Anna Dravida Munnetra Kazagham (AIADMK), is in power.

The AIADMK is an ally of the Congress but the entire population of Tamil Nadu is worked up over the Cauvery water issue. The support of the 13 members of parliament belonging to the AIADMK is vital to Mr Rao.

In a statement to parliament on his resignation, Mr Ramamurthy complained that "justice has been continuously denied to the people of Tamil Nadu. This is a highly emotional issue and, in fact, a life-and-death problem for the people."

Tamil Nadu wants Karnataka to abide by a tribunal's ruling that it should release more water from the dams it controls on the Cauvery. Karnataka has passed an ordinance which it says overrides the tribunal's decision.

Ironically, only minutes after reporting Mr Ramamurthy's resignation, the United News of India said good monsoon rains had temporarily resolved the problem. Cauvery water was flowing over the Karnataka dams and had reached Tamil Nadu, the agency said.

Mr Rao's government had earlier decided to refer the entire issue to the Supreme Court for its opinion.

Bangladesh reforms aim to woo foreign investment

By **Reazuddin Ahmed** in Dhaka

BANGLADESH yesterday announced a deregulation policy aimed at reviving its stagnant industrial sector and encouraging foreign investment.

The new government of the Bangladesh Nationalist party, headed by Mrs Khaleda Zia, is committed to a market economy and has increased the limit of equity participation by foreign entrepreneurs from 51 per cent to 100 per cent.

The policy also seeks to expand the growth of export-oriented industries and to strengthen the small industries sector to provide employment in rural and semi-urban areas

Bangladesh has liberalised the procedure for setting up new industries and the investment ceiling has been raised from 100m taka (£1.48m) to Tk300m in the private sector.

Private investors will be able to establish industries without any prior approval from the government. Bangladesh is predominantly an agricultural country and the contribution of the industrial sector to gross domestic product has been stagnant at 10 per cent for two decades.

Industry ministry officials have said that the country's donors, including the World Bank, had been pressing the government to adopt a liberal industrial policy as a precondition for releasing industrial loans to Bangladesh.

Algerian opposition walks out of talks

By **Francis Ghilès**

ALGERIA'S two leading opposition parties walked out of talks called by the government to discuss the organisation of multi-party elections.

The first round of the elections was due to be held on June 27 but rioting by supporters of the leading Islamic fundamentalist party, the Islamic Salvation Front (FIS), protesting at the gerrymandering of constituency boundaries, led President Chadli Bendjedid to impose a state of siege and appoint a new government led by Mr Sid Ahmed Ghozali.

FIS spokesmen said their party was boycotting the meeting, which was attended by a member of its ruling council, Mr Mohamed Kerrar, in his private capacity, to protest against the government's refusal to free its detained leaders. The two most prominent leaders, Mr Ali Benhadj and Mr Abassi Madani, were arrested a month ago and are awaiting trial.

Representatives of the leading secular opposition party, the Socialist Forces Front (FFS), walked out because the government had barred journalists from attending.

Mr Ghozali insisted that the conference had no "undeclared goals, no hidden intentions" and that all those present were there to "resolve the crucial problems of our country", namely the organising of free and fair general elections.

Nearly 6,000 people, most of them FIS activists, have been arrested under the state of siege following their leaders' call for a holy war to topple the government and open defiance of the curfew.

An FIS congress last week confirmed its support for the leadership but the party is still divided between hardliners such as Mr Abdelkader Hachani and the more moderate Mr Said Guechi, who feels the party of which he is a founding member would be well advised to talk to the government.

A Kuwaiti soldier takes cover as he blows up a beach-side bunker filled with rocket-propelled grenades yesterday. The beaches were mined and fortified by occupying Iraqi forces.

Japanese and US chief executives express their optimism about outlook

Poll suggests world economic recovery

GROWTH IN the world economy is likely to pick up in the next year underpinned by a buoyant Japanese economy and recovery in the US, according to a survey of world business leaders published yesterday, writes a Financial Times reporter.

The survey of 151 chief executives in the US, Japan and Europe found that 52 per cent thought the outlook for their domestic markets was better than a year ago, while 42 per cent thought the outlook in export markets was improving. Japanese executives were by far the most optimistic, with 75 per cent expecting sales in their domestic markets to be better than they were 12 months ago.

The survey, the first of a regular series of quarterly surveys of world business opinion conducted for FTTV, the television arm of the Financial Times, found that 56 per cent of US executives thought their domestic sales outlook was better than a year ago.

In contrast the outlook in Europe seems gloomy, with 27 per cent of executives expecting a sales improvement and 52 per cent assessing the outlook as worse than a year ago.

The poll found that sources of growth were markedly different in Japan compared with the US and Europe.

About 51 per cent of Japanese executives base their confidence on the launch of new products, compared with just 33 per cent in Europe and 29 per cent in the US. Japanese and US executives are far keener than their European counterparts on an economically and politically integrated Europe. Three quarters of Japanese executives and 56 per cent of US executives favour a united Europe compared with 39 per cent of European business leaders.

However, all business leaders favour a single currency with 66 per cent of Europeans, 73 per cent of Japanese and 91 per cent US executives supporting the idea.

De Klerk cabinet calls up pro-reform party liberals

By **Philip Gawith** in Johannesburg

Hernus Kriel

THE humiliating demotion of two senior cabinet ministers, General Magnus Malan and Mr Adriaan Vlok, in President FW de Klerk's cabinet reshuffle has distracted attention from the arguably more important infusion of new talent.

The four new ministers in the cabinet are Mr Leon Wessels, who takes over at planning and provincial affairs; Mr Roelf Meyer, who succeeds Gen Malan as minister of defence; Mr Sam du Beer, who takes over black education; and Mr Piet Marais, who takes over white education.

Within the context of the National Party, these men are all unquestionably liberal – "new Nats" who have little sympathy for or allegiance to the white supremacist party of old. Mr Marais is, at 58, older than the others who are all in the 44-46 age group.

The four men also share a common background: Mr Meyer and Mr Wessels served successively as president of the Afrikaner Studentebond, a government supporting Afrikaans student body, between 1970 and 1973, while Mr de Beer was an executive office bearer a few years earlier.

Mr de Beer was trained, and later served, as a minister of religion, the others are all lawyers by training.

- Roelf Meyer: Elected to parliament in 1979, he has been a deputy minister since 1986 when he was at law and order. Subsequently he has been in constitutional development where he has been a senior player in the government's negotiating team. The priority in his new job will be to try to clear the name of the Defence Force, particularly concerning allegations that it is involved in anti-ANC violence in the country.
- Leon Wessels: Elected to parliament in 1977, he has served as deputy minister of both law and order and foreign affairs. He earned widespread praise for being the first government minister to unequivocally condemn apartheid, and apologise for it, at a conference in Oslo last year.

His new portfolio confronts him with the sensitive question of squatting near urban areas. He can be expected to accelerate the process of making available more serviced land in these areas.

- Sam de Beer: Elected to parliament in 1974, aged 29, he was appointed deputy minister of education and development aid in 1984. He earned a reputation as a good listener and negotiator during this period when he was involved in dealing with crisis conditions in black education.

His star waned somewhat when revelations were made about corruption in his department in 1989. The cabinet reshuffle of that year did not see him enjoying promotion to a general affairs cabinet portfolio, as with his other young colleagues. He appointment was only for the white chamber of parliament. The latest appointment appears to mark his rehabilitation.

- Piet Marais: Elected to parliament in 1982, he was appointed deputy minister of education and development aid in 1989. This took him, like Mr de Beer, into the area of black education.

The insights he has gained from this will stand him in good stead in his new portfolio. Empty or under-utilised white schools and educational facilities, while blacks have suffered from terrible shortages, has been a subject of great controversy in recent months. The government has attracted considerable criticism for its tardy approach to rationalising use of these facilities. Mr Marais can be expected to take firm action in this area.

However, the ministry of law and order remains in the hands of a conservative, Mr Hernus Kriel, an old-style Afrikaner politician who often makes acerbic comments in public about the black opposition groups.

Roelf Meyer

Postponement raises hopes

By David Lascelles and Richard Waters

THE High Court's decision to postpone the winding up of BCCI for four months will come as welcome news to the stricken bank's thousands of smaller depositors in the UK.

It leaves them with nothing more in the short term than they would have received from an immediate winding up of the bank but it at least raises the hope, however remote, that the bank will be saved in some form. Whether parts of BCCI can be revived will become the subject of intense scrutiny during this summer and autumn.

Sir Nicolas Browne-Wilkinson, the vice-chancellor, granted the extra time to enable Touche Ross, the bank's provisional liquidators, and the majority shareholders, Sheikh Zayed bin Sultan al-Nahyan and the Abu Dhabi government, to explore ways of reviving BCCI.

The immediate beneficiaries will be 39,400 small depositors, who will get back three quarters of their deposits, with a ceiling on compensation of £5,000. Those are the terms they would have received had the bank been put into immediate liquidation, invoking the UK's deposit protection scheme. About 9,000 larger depositors are actually worse off in the short term: had the bank been wound up immediately they would have received up to £15,000 each.

The bank's employees come out as clearer winners. They will continue to be paid weekly in advance, with a first payment to be made today to cover two weeks' pay.

A longer-term solution depends on restoring BCCI's business, and the prospects for that remain dim.

One of the unanswered questions behind yesterday's move is why Sheikh Zayed should wish to put up £50m to postpone the day of reckoning. While philanthropic and face-saving considerations must have played a role, he would have to make a far bigger commitment if he really wanted to keep the bank going.

Although the true financial condition of BCCI is far from clear, all the evidence to date suggests that it is deeply troubled. Touche Ross estimates that it had a capital deficiency of $147m at the end of last year, since when it has probably got worse.

The Bank of England produced figures suggesting a deficiency of $600m, and that excludes the $4bn of bad loans that the government of Abu Dhabi has taken off the bank's hands. Thus any attempt to rescue the bank would need a massive capital injection of possibly more than $2bn to plug the deficit and give the bank enough new capital to rebuild its business. It would also require Abu Dhabi to take on the bad loans permanently.

The sheikh might be able to afford an outlay of such magnitude if he cared to, although it would amount to a bizarre investment for the sake of a bank with such a blackened reputation.

The reconstruction would have to be accompanied by the installation of new top management, and a big drive to restore the bank's credibility – all of which would amount to a turnround of unprecedented proportions. Mr Robin Leigh-Pemberton, Bank of England governor, has said he thinks it very unlikely that BCCI can be revived in the UK.

Alternative routes might include the merger of some parts of BCCI with another bank under the Abu Dhabi's control, or the sale of parts of the business to raise new cash. There have been offers for some parts of the BCCI empire, including its Kenya and Swiss operations. An outright acquisition by another bank would be most unlikely because of BCCI's poor condition and the taint of fraud.

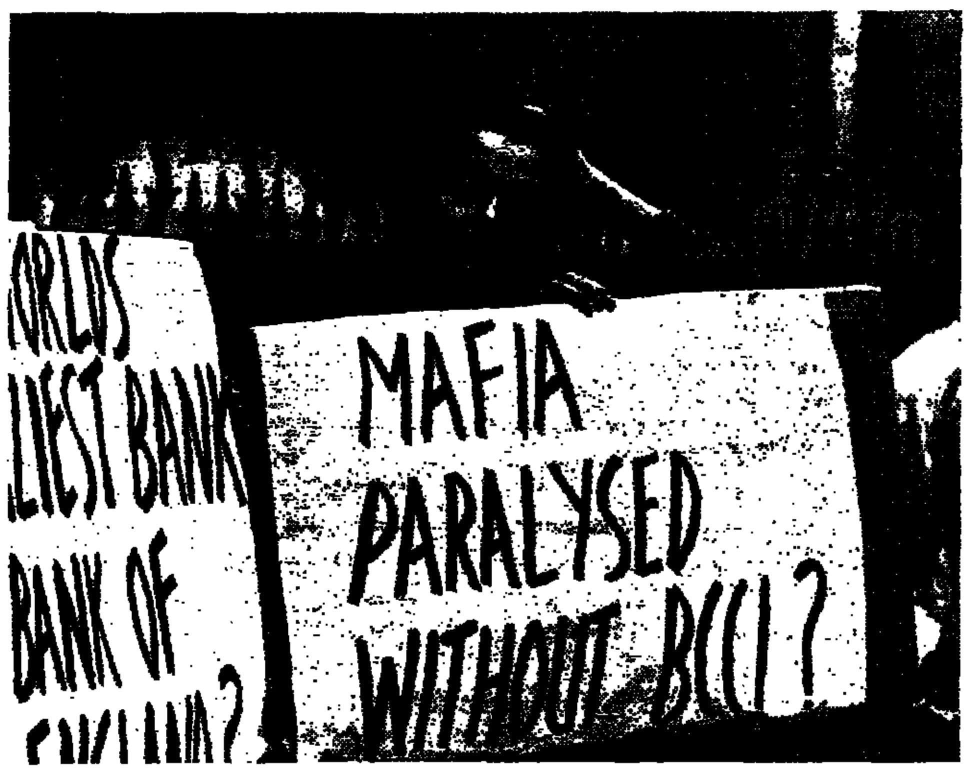
Yesterday's High Court decision relates only to BCCI SA, the Luxembourg-based banking arm of the group, which controls BCCI's UK branches.

BCCI SA also controls operations in 12 other countries including Bahrain, the UAE, Japan and Germany. Much depends on which, if any, parts of that arm of the group figure in a possible reconstruction by the sheikh. BCCI had been working on a plan, before its closure, to break itself into three units, based in London, Hong Kong and Abu Dhabi. At least the first of these operations now seems unlikely to be revived.

The sheikh's move may only amount to a play for time. The money he is making available is in the form of a loan, not a grant.

At the end of the four-month adjournment, though, the demand for a solution for the bank's depositors will not have gone away.

"By the time December approaches, the pressure to do something will be even greater," said Mr Antony Gold, a solicitor at Alexander Tatham, the lawyers co-ordinating a national depositors' group. "There still doesn't seem to be any commercial purpose in trying to breathe life into this bank in the long term." Touche Ross saidclaim forms would be sent to UK depositors as soon as possible. A number was given for anyone having difficulty filling in these forms: 071-480 7766.



Lydia van der Meer

Poster protest: demonstrators gathered outside the High Court in London yesterday before the start of the hearing about the winding-up of BCCI

US EXPOSURE

Effect on other banks is likely to be small

By David Lascelles

THE disclosure in Monday's New York indictment against BCCI that American Express Bank had an exposure of $30m (£18m) to the bank was an indication of the depth of BCCI's involvement in the banking market.

The indictment said that the US bank had more than $12.9m in foreign exchange trades, $10m in non-collateralised placements, and $6.9m in letters of credit and acceptances with the BCCI group. All those sums had been stolen by BCCI, the indictment said.

American Express confirmed the figures but emphasised that it had loans and deposits of a greater amount from BCCI which it had used to offset the loss.

The banking authorities have emphasised that the closure of BCCI should not have a big knock-on effect in the interbank market – the usual fear when banks collapse – because exposures are small.

Total interbank commitments to BCCI amount to about $2bn, they say, which is not large for a bank of BCCI's size – its assets totalled $20bn at the closure.

Many large banks have also said that they kept their exposure to BCCI under tight control because of the bank's doubtful reputation and frequent involvement with controversy. None the less, the closure will have caused tremors in bank treasuries.

As in American Express Bank's case, banks in many countries have a correspondent banking relationship with BCCI because it needed to clear its trades in foreign currencies.

Although banks can ensure that their books balance at the end of the day, there is always the risk that they will be caught short during the day.

The right to offset deposits against loans is also not clearly defined in law. One UK banker pointed out yesterday that offset is only a common-law right in the UK, and any bank that had offset its BCCI assets and liabilities might have a tussle with the liquidator later.

WORLD ROUND-UP

US Senate committee to conduct inquiry

US: The Senate Banking Committee last night became the third congressional committee to announce a "full-scale" investigation into the BCCI affair.

The inquiry will focus on why US regulators did not act sooner.

UAE: A United Arab Emirates finance official has criticised the Bank of England and described as stupid the closure of BCCI by foreign monetary authorities.

"Malicious hands and unknown institutions aiming at destroying every Arab achievement is behind the BCCI crisis," Mr Jaafar al-Firdan, assistant under-secretary at the UAE finance ministry, told the London-based Asharq al-Awsat newspaper.

"It is an unusual act of sabotage and the Bank of England was hasty in taking its measures," he said.

He continued: "Some countries took stupid decisions as a result of this crisis which should not have been taken. They should have referred first to the shareholders."

The Abu Dhabi shareholders say they were in the process of restructuring BCCI when the Bank of England closed the British operations of the bank on July 5.

LUXEMBOURG: The country's bank union said the July salaries of employees of the Luxembourg-based BCCI had not been paid in spite of a commitment by management.

The union also said it was "deeply concerned" about the retirement fund for the 60 staff. BCCI employees in Luxembourg appealed to the authorities earlier in July for the release of LFr25m deposited by employees with the bank.

ARGENTINA: The Buenos Aires branch of BCCI was closed yesterday, five months earlier than planned.

Last December, the central bank ordered BCCI to gradually wind up its operations by the end of 1991 because it failed to meet minimum capital requirements. The government decided to speed up BCCI's closure to remove any shadow of doubt over its relationship with the bank.

HIGH COURT DECISION

Liquidation deadline postponed as Sheikh Zayed intervenes with last-minute compensation package

By Andrew Jack

EMPLOYEES AND creditors of BCCI were celebrating last night after the High Court decision to postpone liquidation of the bank after Sheikh Zayed's offer of a compensation package.

"We are all delighted," said Ms Runi Khan, of the joint committee representing BCCI employees and customers, and assistant manager of the bank's City branch.

"I felt the judge took a very balanced view and that justice has prevailed. The ruling made the Bank of England look very irrational and fumbling. Now we can look into the possibility of a rescue," she said. "We are very much in favour of a restructuring. I don't see why this whole empire should be wiped out."

Mr David Griffin, a member of the accounts support department, was equally glad to hear the news. "Obviously I'm very pleased," he said. "It gives the staff four months' breathing space."

Like all employees of BCCI, Mr Griffin was forced to open an account into which his wages were paid. It was frozen when the Bank of England closed BCCI. "Financially it's been extremely difficult," he said. "My salary has been tied up, and my cheques and credit cards have been worthless. I've had to borrow from other people."

Mr Keith Vaz, MP, co-ordinator of the all-party BCCI group, gloated over the news. "It's absolutely brilliant," he said. "This is the four-month lifeline that is needed to save the parts of the bank that will not die." He called on government ministers to work with the Bank of England in the negotiations ahead.

Most individuals contacted yesterday praised Sheikh Zayed and believed he had acted out of pride and in an attempt to restore his own integrity.

Mr Noel Howell of the Banking Insurance and Finance Union, which has 200 members from BCCI, welcomed the ruling and said it would bring relief to the staff.

However, he emphasised the need for action on the wider issues of forcing employees to hold bank accounts with their employer, and the EC regulations that allow recognition of a bank in one member nation to count across the community.

Employees were already beginning to contemplate the prospects for of the bank over the next four months. "If there is no restructuring, there will be havoc," said Ms Khan. "I don't see how as professionals we have future. But I'm very hopeful. I am sure shareholders will work out something viable."

Mr Mian A. Saleem, the manager of BCCI's Hyde Park branch, said: "The ruling has given us hope. I hope the restructuring will go ahead. Otherwise 19 years of my working life are down the drain. My family life and my professional life are totally shattered."

He said he believed BCCI was being used as a scapegoat. "If the CIA used the bank to finance arms sales, why is the CIA not being indicted?" he said.

Mr Vaz said: "The interim relief for staff and depositors has only been possible because of the generosity of the sheikh, who with no legal obligation has provided the cash necessary to satisfy the court. The government, the Bank of England and all concerned should applaud him for what he has done."

However, Mrs Anita Kapoor, a shop owner who had more than £25,000 on deposit with BCCI, said: "I blame Sheikh Zayed. He had no other way out to preserve his credibility. If there was fraud, he has the ultimate responsibility. This £5,000 offer is peanuts."

She was glad the bank had not been liquidated, and that the decision might force the Bank of England to regulate banks more effectively in the future.

She remained convinced that she would ultimately regain her money. "You have to be optimistic," she said. "What else can you do? Otherwise you would have nowhere to put your money really except under the mattress."

US INVESTIGATION

World losses may reach $13bn

By Alan Friedman in New York

WORLDWIDE losses resulting from the Bank of Credit and Commerce International (BCCI) scandal may total as much as $13bn (£7.78bn), according to US investigators.

The figure is more than twice the $5bn estimate given on Monday by Mr Robert Morgenthau, the Manhattan district attorney who brought a range of indictments against the bank and its founder.

"The $5bn loss estimate was necessarily conservative," said a senior US official involved in the inquiry. "That's how much we think we know about. But reliable sources have told us the actual estimated loss could be as high as $13bn."

In his indictments, Mr Morgenthau said the bank had used fraud to obtain more than $20bn from depositors and explained that "much of the bank's capitalisation and assets were fictitious and its backing illusory".

Among those indicted was Mr Agha Hasan Abedi, the BCCI founder, whose extradition from Pakistan is being sought by the Manhattan district attorney. Mr Abedi has responded to the charges by saying he is confident he will be exonerated. "I have full faith in God. He has always guided me." In Washington, meanwhile, the State Department said it had not yet received a formal request for Mr Abedi's extradition.

Mr Morgenthau said yesterday the request for Mr Abedi's extradition was being prepared. He also insisted that the Manhattan grand jury has jurisdiction over the far-flung BCCI empire, which he called "a criminal enterprise". The New York grand jury has jurisdiction because BCCI had an agency in New York and elected to be regulated by the state's banking supervisors, he explained.

Mr Morgenthau spent yesterday morning meeting officials of the special BCCI commission of Peru's House of Delegates as well as a lawyer for Mr Alan García, the former Peruvian president, who has denied allegations by the Peruvian commission investigating BCCI that he used BCCI to siphon $50m out of Lima.

Among the charges contained in Monday's indictment was the payment by BCCI of $3m in bribes to two top former Peruvian central bankers who deposited funds with BCCI in exchange.

Mr Fernando Olivera, who is leading the Peruvian parliamentary BCCI investigation, will testify tomorrow at hearings being called by Senator John Kerry, the Massachusetts Democrat who has been investigating BCCI for more than two years.

Also scheduled to testify are Mr Virgil Mattingly, the general counsel of the Federal Reserve, and Mr William Taylor, the top bank regulator.

Mr William von Raab, the former Commissioner of Customs, will also appear before the Senate subcommittee to discuss his requests for information from the Central Intelligence Agency over BCCI. Mr Kerry has also asked the State Department to send an official.

In the House of Representatives, the Banking Committee yesterday voted to approve subpoenas for BCCI-related documents ahead of its own BCCI hearings, set to begin in September. Mr Henry Gonzalez, the Texas Democrat who serves as chairman of the Banking Committee, said his staff had been examining BCCI's affairs since last March. He called the scandal "a prime example of the inadequacy of international bank regulation".

Ruler's popularity remains undented

By Richard Tomkins in Abu Dhabi

IT IS an inauspicious start to a jubilee year for the ruling family of Abu Dhabi.

With six days to go to the 25th anniversary of the day he succeeded his eldest brother as the emirate's ruler, Sheikh Zayed bin Sultan al-Nahyan – aged, it is believed, about 75 – should be preparing for a celebration.

Instead, he is embarrassed to find that ownership of 77 per cent of BCCI's shares by himself and his family has placed him at the centre of the imbroglio over the biggest banking fraud in history.

Equally embarrassing, Monday's indictments by the Federal Reserve Board in the US have implicated two of his 19 sons in the affair by suggesting that they were used as nominees for the assembly of BCCI's unlawful stake in First American Bancshares.

Superficially, such dangerous proximity to scandal might seem to augur badly for the popularity of a ruler. Sheikh Zayed's case, however, is different.

The rigour that Abu Dhabi's censors have paid to reports of the New York hearing has ensured that most of the population is, so far, oblivious to the naming of the sheikh's sons in the affair.

Also, when the news does seep out, it is unlikely to intrude greatly upon an affection for the ruler that borders upon adoration.

Sheikh Zayed's popularity stems largely from the way in which he has used his country's oil revenues to transform a poor country eking out a living from fishing and pearl diving into an oasis of prosperity.

The sheikh has lavished money upon the emirate's tiny population, providing its citizens with free, air-conditioned houses, free schools and free health care.

He has also pursued an almost obsessive determination to engineer a "greening" of the desert – a policy evident in the capital, where lush gardens and trees soften what would otherwise resemble an arid Milton Keynes.

"The sheikh has a vision of what green means to the Arab," says one local. "So it costs a lot? People in the west spend their money on whisky. We prefer to spend it on water."

The sheikh also has a reputation for wisdom and kindness, which, combined with a willingness to receive any citizen with a problem, has left him experiencing none of the calls for democracy that have recently become strident a few hundred miles north in Kuwait.

"In a democracy, you go to your MP with a problem and nothing happens," says a western expatriate. "Here, you go to the sheikh and he solves it."

Inevitably, the BCCI scandal will call Sheikh Zayed's judgment into question. One of the great mysteries of the affair is what made him decide to take such a large shareholding in the bank in March 1990 when its difficulties were already known.

Defenders, however, point out that he quickly dispensed with the services of Messrs Abedi and Naqvi, BCCI's founder and former chief executive respectively, once the extent of the bank's troubles became known. Mr Abedi, they add, must have been extremely plausible to have talked so many people out of their money.

Insofar as popular feeling is outraged by the ruling family's involvement in the affair, say western sources, it will turn against the Bank of England's attempt to pull the plug on BCCI before a rescue could be arranged – not against the sheikh.

"Remember, the Middle East is the home of the bazaar, the home of street trading. People here just can't understand why a deal couldn't be struck," says one.

The damage to bilateral relations, however, is likely to be short-lived. Britain's historically strong relationship with the emirate has left it, if not as well loved as the sheikh, at least well liked.

That, with its role in the Gulf war, is likely to be remembered long after the BCCI affair has been forgotten.

UK NEWS

Motor trade faces 40,000 job cuts

By John Griffiths

The UK motor trade and industry faces a further 40,000 job losses within the next year, bringing the total to 68,500 since mid-1990, the Society of Motor Manufacturers and Traders (SMMT) warned yesterday.

The SMMT warning coincided with a prediction from the Retail Motor Industry Federation that 800 franchised dealers will have been forced out of business by mid-1992 as a result of the current slump.

This represents 10 per cent of the UK's entire franchised dealer population at the start of last year.

The industry hopes that the job loss forecasts might jolt the government into reducing the 10 per cent car tax still applied to all new car transactions.

The budget earlier this year has effectively raised tax on new cars to around 28 per cent, when car tax and 7.5 per cent VAT are added.

The SMMT argues that this is increasingly out of line with major continental markets, and stands increasingly to threaten motor industry investment prospects in the UK if the new car market remains depressed. Tax on new car purchases are 22 per cent in France, around 18 per cent in Italy and Belgium and 14 per cent in Germany.

The jobs warning accompanied an SMMT forecast that the UK motor industry's balance of trade deficit this year will be cut dramatically, to about £1bn-£1.5bn from £4.6bn in 1990, as a result of an export boom which has resulted in 50 per cent of all UK car production now being sent overseas.

However, the industry is warning that with most major continental markets now in decline, this performance is unlikely to be sustained.

According to the SMMT figures, vehicle and component manufacturing companies will account for 15,000 of the looming job losses. The projection is based on a survey of intentions by 50 companies who between them account for 70 per cent of employment in the manufacturing sector. That leaves a projected 25,000 job losses in the motor retailing and distributive trades, with about one in ten salesmen likely to lose their job.

During the past year, according to the statistics, 16,500 jobs have been lost in vehicle and component manufacturing, and 12,000 in the retail motor trade.

Some 400-500 dealerships have already either been closed or sold off, according to the SMMT. However, the RMI warns that the rate of actual dealership closures is likely to accelerate during the year.

The 68,500 job losses represent more than 10 per cent of direct employment in the trader and industry.

The statistics emerged as dealers made final preparations for the start of what in normal years would be an August sales boom linked to introduction of the new registration prefix.

But with even the most optimistic assessments predicting sales for the month of only 330,000 units, nearly 100,000 down on 1990 and comparing with just over 500,000 in August 1989, the SMMT is concerned with drawing government attention to what it sees as a growing crisis.

UK seeks inquiry on French steel subsidies

By Charles Leadbeater, Industrial editor

THE government yesterday backed British Steel calls for the European Commission to *investigate the behaviour of* French state companies that could involve state aid being given to the French steel industry.

Mr Peter Lilley, the trade and industry secretary, yesterday wrote to Sir Leon Brittan, the EC competition commissioner, calling upon him to formally examine the proposed deal under which Credit Lyonnaise, the French state owned bank would pay FFr2.5bn for a 10 per cent stake in Usinor Sacilor, the state owned steel producer and Europe's largest steel producer.

Mr Lilley has consistently criticised state owned companies for distorting markets through their access to cheap finance.

This was one of the factors behind the so-called Lilley doctrine under which the DTI *closely scrutinises take-over* bids by state owned companies, many of which have come from France.

Mr Lilley said he shared British Steel's concern that the cash injection would damage competition as steel producers come under financial pressure from the downturn in the European steel market.

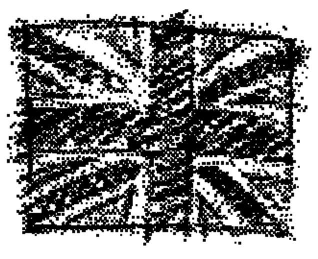
Mr Lilley said the deal would benefit Usinor Sacilor at a time when market conditions would discourage the private sector from making similar investments in the steel industry.

The deal might provide Usinor Sacilor with finance not available to a private sector company such as British Steel, breach the Commission's steel aid codes and endanger multilateral talks on steel trade, Mr Lilley said.

"Given the sum involved and the potential distortion of competition in the steel industry that this poses, I very much hope that you will ask your services to do a thorough investigation of the deal," he said.

Commission officials have already indicated that they are informally inquiring into the terms of the deal.

BRITAIN IN BRIEF



Mercury confident on access fee

Mercury Communications, a subsidiary of Cable & Wireless, does not expect to pay any fees to gain access to BT's telecommunications network over the next five years, under the terms of last week's deal between BT and Oftel, the telecommunications industry watchdog.

Mercury believes the deal, which settled how much competitors should pay for being able to use BT's network, should underpin its position at the focal point of a group of companies challenging BT's predominant position.

Boost for trade fairs in US

Government support for UK trade fairs in the US is to be increased as part of a drive to raise visible exports to a market forced into second place last year by Germany.

In an announcement to be made tomorrow by the *Department of Trade and* Industry, support in the form of the cost for the stands and help with fares for new exporters, will be increased from three to five times in that market, provided there were not more than three applications in one of the trade regions - west, mid-west and north-east - of the US, as designated by the DTI.

Council plans house transfer

The largest ever transfer of council housing into the control of a housing association is being planned by London's Hillingdon Council which is proposing to transfer its entire stock of 14,000 homes to a specially created *association.*

The transfer, which this week won approval from the Environment Department, would be the most radical move yet taken by a council *to restructure its* housing provision using the 1988 Housing Act.

School reports to be published

The annual performance of schools in England and Wales will be published in local newspapers under proposals for a "parents' charter" announced by Mr Kenneth Clarke, education secretary (pictured).

Schools will also be obliged to undergo regular inspections, but will be free to choose their inspectorates from a range of independent teams. The league tables will be based on school attendance records, their public exam and national curriculum test results, and the destination of their leavers.

New facility for IIP initiative

The government has set up a central facility for the administration of its new Investors in People initiative.

IIP, which will be formally launched later this year, is a scheme which the government originally intended should be delivered by the 82 Training and Enterprise Councils in England and Wales.

BAe to close factory

British Aerospace is to close its aircraft maintenance unit at Prestwick in Scotland on November 1 where 139 staff are employed. The staff work on BAe 146 jets operated by parcels airline TNT, which requested that the maintenance work be moved to a site closer to its own base in Luton, Bedfordshire.

Mortgage arrears rise

Mortgage arrears among homeowners rose to just under 5 per cent of all mortgage balances by the end of last year, according to the annual report of the Building Societies Commission. However, the Commission says that the recent fall in interest rates should bring some relief to borrowers.

Union merger gets nearer

A new moderate teachers' union, rivalling the National Union of Teachers in size, may be in place by next summer, the general secretaries of the two unions involved in merger negotiations have indicated.

The 135,000-strong Assistant Masters and Mistresses Association, and the Professional Association of Teachers, with 39,000 members, have set up working groups to negotiate a merger.

Tour groups make profit

The top 30 UK package tour companies last year made an aggregate pre-tax profit of £40.3m last year, according to figures released by the Civil Aviation Authority. The CAA, which licenses all holiday companies who include charter air travel in their packages, says the profits came after an aggregate loss of £100,000 in 1989.

Thatcher to head university

Mrs Margaret Thatcher, the former prime minister, is to succeed former lord chancellor, Lord Hailsham, as chancellor of the privately run University of Buckingham next March.

Tower birthday

Blackpool tower, Britain's most famous seaside landmark, celebrated its centenary. Schoolchildren from all parts of the world also gathered at the tower, the UK's sixth most popular tourist attraction.

FT LAW REPORTS

Underwriter can appeal from arbitrator's Convention award

HISCOX v OUTHWAITE
House of Lords
(Lord Mackay, Lord Chancellor, Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Ackner and Lord Oliver of Aylmerton):
July 24 1991

AN ARBITRATION award is "made" where the arbitrator signs or executes it, irrespective of where the arbitration took place. And if the award was made in a foreign country which is party to the 1958 New York Arbitration Convention so that it is enforceable as a Convention award in the UK, the English court nevertheless has jurisdiction to hear an appeal from the award if it was made under English law.

The House of Lords so held when dismissing an appeal by Mr Richard Outhwaite from a Court of Appeal decision rejecting his preliminary objection to the court's jurisdiction to hear an application by Mr Robert Hiscox for leave to appeal from an arbitration award.

Section 3 of the Arbitration Act 1975 provides: "(1) A Convention award shall, subject to the following provisions of this Act, be enforceable (a) in England and Wales ... (2) Any Convention award ... shall be treated as binding ..."

Section 5: "(2) Enforcement ... may be refused if ... (f) ... *the award* ... *has* been set aside or suspended by a competent authority of the country ... under the law of which it was made ... (5) Where an application for the *setting aside* or suspension has been made to such a competent authority ... the court before which enforcement ... is sought may ... adjourn the proceedings ..."

Section 7(1): "'Convention award' means an award made in ... a state, other than the United Kingdom, which is a party to the New York Convention".

LORD OLIVER said that a dispute arose as to the liabilities of two Lloyd's syndicates under a reinsurance contract made in 1982.

The contract was governed by English law and provided for arbitration in London.

The dispute was referred to Mr R A MacCrindle QC as sole arbitrator. The hearings took place in London.

A first stage award, a draft interim award and a final interim award, were signed by Mr MacCrindle and witnessed in Paris. When the award was signed it was made available to be taken up at Mr MacCrindle's chambers in the Temple.

On December 10 1990 Mr Hiscox began proceedings in the Commercial Court seeking *inter alia*, leave to appeal from the award.

Mr Outhwaite raised a preliminary point that the award was a Convention award within section 7(1) of the Arbitration Act 1975, since it had been "made" in Paris, and that the High Court could therefore not entertain an appeal.

Mr Justice Hirst held that the award was "made" in London though signed in Paris, and that the High Court had jurisdiction. Mr Outhwaite appealed.

The Court of Appeal said the award was made where it was signed. It held by majority (Lord Donaldson MR dissenting) that since it was thus a Convention award, the High Court would have had no jurisdiction. By majority however (Lord Justice Leggatt dissenting), it held Mr Outhwaite was estopped from objecting to the jurisdiction. The appeal was dismissed.

On the present appeal Mr Hiscox sought to uphold Mr Justice Hirst's judgment, and to contend that even if the *award was a Convention* award, the High Court had jurisdiction.

The Arbitration Act 1975 was passed to give effect to UK obligations under the New York Convention *on the Recognition* and Enforcement of Foreign Arbitral Awards 1958.

In support of arguments for and against the proposition that the award was "made" in London, counsel referred to the *travaux preparatoires* leading up to the Convention.

The reference was not of any assistance. There was no real ambiguity in "made".

An award, though the culmination of a continuing process, was not in itself a continuing process. It was just a written instrument, and there was no context for departing from the ordinary, common, and natural construction of "made".

A document was made when and where it was perfected.

An award was perfected when it was signed, at any rate in the absence of something in the arbitration agreement or rules requiring further formality.

In *Brooke v Mitchell (1840) 6M & W 473* Baron Parke said "it is only necessary that the act should be complete so far as the arbitrator is concerned; that he should have done some act whereby he ... has declared his final mind".

It could not be doubted that Mr MacCrindle had "declared his final mind" when he signed the award in Paris.

While it was anomalous and regrettable that signature in Paris should stamp what was clearly intended to be an English award as a Convention award, the conclusion that it did was irresistible.

The Court of Appeal was right to hold it was a Convention award. Mr Colman for Mr Hiscox submitted that nevertheless the English court remained entitled to entertain proceedings to set aside or suspend the award.

He argued that the provision in section 3(1) of the Act, that a Convention award should be enforceable in England, was "subject to the following provisions of this Act" which included section 5. Section 5(2) enabled the enforcing court to refuse enforcement if the "award has been set aside or suspended by a competent court of the country ... under the law of which the award was made". That was the curial country, which in the present case, was England.

He said the Act contemplated that what was *prima facie* binding and unchallengeable before the enforcing court, *might be set aside* or suspended by the curial court.

Mr Sumption for Mr Outhwaite said first, that the Convention and the Act created a dichotomy between the curial and *enforcing countries*. He said that in section 5(2)(f) "the country ... under the law of which" the award was made, was as much a country other than the enforcing country as was "the country *in* which" the award was made.

There was no reason why "the country under the law of which" the award was made should necessarily exclude the enforcing country.

Second, Mr Sumption argued that 5(2)(f) applied only where the award "has been" set aside or suspended at the time when enforcement or reliance came into question. Third, he said 5(2)(f) could apply only if there was, in the curial country, a "competent" authority to set the award aside or suspend it, but section 3(2) said UK courts were not competent to do anything but enforce the award.

Those two arguments would be more formidable if section 5 finished at subsection (2). But it did not. Subsection (5) had to be taken into account.

It was concerned with an ancillary power of adjournment on the enforcing court. It showed that "has been" in 5(2)(f) could not mean literally "has been at the date when the enforcement/reliance first comes into question".

If that were the meaning, subsection (5) could have no possible field of operation. The whole purpose of the subsection was to provide a power of adjournment in the case of pending proceedings.

The Convention and the Act clearly contemplated that the curial court might be invested with a supervisory power while leaving a discretionary power to the enforcing court (a) to permit a pending supervisory process to continue, and (b) to refuse enforcement if it resulted in the award being suspended or set aside.

While it was doubtful whether the framers of the Convention contemplated the unusual case of the curial country and the enforcing country being the same, there was no good reason why they should have desired or sought to exclude curial jurisdiction where its continuance would otherwise have been appropriate. There was nothing in the Convention that compulsively led to the conclusion that the enforcing country's curial jurisdiction was to be ignored in all circumstances.

The High Court remained capable of exercising its curial jurisdiction over the arbitration and of adjourning any decision on enforceability until the pending proceedings or review had been determined.

The appeal was dismissed on that ground.

For Mr Outhwaite: Jonathan Sumption QC and Christopher Butcher (Elborne Mitchell).

For Mr Hiscox: Anthony Colman QC, Jonathan Gilman QC and John Lockey (Fishburn Boxer).

Rachel Davies
Barrister

UK NEWS

English councils may get elected mayors

By Tim Lawrence

DIRECTLY elected executive mayors for local authorities are among options for restructuring the internal management of councils in England outlined by Mr Michael Heseltine, the environment secretary, yesterday.

The discussion document – the third document in the government's review of local government – seeks to overhaul "nineteenth century practices" and streamline local authority business to promote effective decision-making.

The document was generally welcomed by local authority leaders, but Mr Bryan Gould, the opposition Labour party's spokesman on the environment, dismissed it as a "ragbag of whim and fancies".

Mr Heseltine said yesterday that changes in management should enhance scrutiny of decisions, increase public interest in local government and enable councillors to develop their constituency role.

Local councils in England, like the rest of the UK, are responsible for delivering public services such as roads, education, housing and street-cleaning which are central to the quality of life.

Some English councils have budgets running into millions of pounds, and they are big employers...yet they all run themselves using practices first adopted 150 years ago.

Some of them have budgets running into hundreds of millions of pounds, and are substantial employers. Yet they all run themselves using practices first adopted over 150 years ago when councils had far fewer duties and incomparably smaller budgets.

Options for reforming the system include:

- Changes to the council committee system to increase delegation and to reconsider the need for minority representation.
- A cabinet system in which the majority leader would allocate portfolios to council members.
- The appointment of a council manager to take over the day-to-day running of the authority.
- A cabinet-style executive, elected separately from councillors.
- An elected chief executive mayor.

Mr Heseltine also suggested that pay for councillors who took on greater responsibilities would improve management, but he warned that the government had to be persuaded of the merits of change. Pilot experiments would precede any wholesale change.

"Different solutions may be appropriate to different authorities; no single management arrangement is proposed for all authorities," he said.

Plans for direct elections could be based on overseas models. Such models are identified by a survey in the discussion document of council structures in other countries which found that directly-elected mayors are limited to some US cities and Bavarian communes which elect a Burgomaster.

A survey in the discussion document of council structures in other countries found that directly-elected mayors are limited to some US cities and Bavarian communes

The document was given a guarded welcome by Mr Howard Davies, controller of the Audit Commission, the local authority watchdog. The call for councils to experiment to find the most suitable structures to meet their particular needs was a "genuinely interesting approach", but he criticised the sketchiness of the proposals.

Mr Gould, however, said Mr Heseltine's "frantic search for gimmicks means he has never given himself time to find out how local government works.

"The document should have been printed on the backs of envelopes as that is where it was clearly written."

Mr Tony Colman, vice-chairman of the Association of London Authorities, criticised the paper's failure to propose a new authority for the capital.

The Labour-run Association of Metropolitan Authorities, which represents councils in England's largest cities, gave the consultation paper a cautious welcome.

"We welcome the freedom local authorities are promised to choose their own internal management structures," said Mr Jeremy Beecham, AMA chairman. But he accused the government of being "obsessed" with the structure of local government rather than strengthening its role as part of the democratic process.

Mr John Chatfield, chairman of the Conservative-dominated Association of County Councils, said: "We welcome the chance to participate in positive changes in local government by finding new ways of providing local people the services they need and want."

Editorial comment, Page 12

Sir Bob Reid: wants railway to resemble Japan's

British Rail promises more efficient service

By Andrew Jack

BRITISH RAIL, the state railway plagued by delays and overcrowding, plans to spend £1bn a year over the next decade to make the network more efficient, Sir Bob Reid, the chairman, said yesterday.

Announcing BR's 10-year plan in London, Sir Bob said he wanted Britain's railways to resemble those in Japan – "clean, reliable and respected by the customer".

He said, "We've got troubles with punctuality, we've got troubles with overcrowding".

The investment would enable BR to become an efficient and profitable railway, Sir Bob added. The railway had an operating loss of £42m in 1990-91.

Plans to build 100 new stations, construct or re-open 60 miles of regional lines, and electrify 150 miles of existing track were among those outlined at the launch of a ten year strategy for BR.

"We are investing more than £1bn in the current year," said Sir Bob. "It is essential that this pace and progress is sustained. A new way of financing the investment will have to be debated over the coming months."

Fares on some services will rise in real terms as quality improves, and other finance may come from private sources, joint ventures and real estate development, as well as internal funds. He refused to be drawn on how much government money would be required.

However, Mr Malcolm Rifkind, the transport secretary, said that while the government had made investment in British Rail a priority, it could not guarantee the extra money that would be required over the next ten years.

BR pledged to issue a booklet for passengers by the end of this year, setting out their rights and the avenues of complaint open to them.

BR said it would be spending "hundreds of millions of pounds" on Automatic Train Protection equipment to cover a "substantial part of the network" over the next five to ten years.

Significantly, there was no discussion of privatisation in the plan.

"Privatisation is [a question] for parliament and for the government as shareholder," said Sir Bob.

Water regulator seeks curb on shareholder dividends

By John Hunt and Daniel Green

THE UK water industry regulator warned yesterday that the water companies could be paying their shareholders too much in dividends, prompting a sharp fall in the sector's share prices.

Ofwat announced that limits on the prices which the privatised water companies can charge to customers were to be reviewed in 1994 and reset in the following year by the regulator.

Mr Ian Byatt, director general of water services, made it clear that he expected the companies to operate with a lower rate of dividend growth and a higher proportion of debt.

The news caused a nervous session in water company shares, with most recording sharp falls in heavy trading – Severn Trent fell 5 per cent in less than an hour – although they recovered in the last few minutes of trade as buyers moved in just before the close.

"In future water companies should be able to finance their large investment programme on the basis of a lower rate of return on new investment," said Mr Byatt.

"I believe that the assumptions on equity yields, future dividend growth and borrowing rates used in setting price limits can all be reduced."

Originally price limits for the companies was set by the government for 10 years up to the year 2000. But Mr Byatt now intends to set new limits after five years – a move allowed for in the companies' licences.

This has been done because Ofwat believes the financial assumpions made at the time the price limits were set by the so-called K factor are no longer appropriate to changed circumstances.

Last year there was a 16 per cent average increase in water companies' dividends. Mr Byatt said yesterday that he sees no reason why investors in the water industry should be rewarded with returns in excess of those generally available in the financial markets.

"On the contrary, there are reasons why they should be content with less given the low risk and security of water shares."

Since the initial water company price limits were fixed the financial performance of the industry had been better than expected, he said. Companies had been able to borrow at better than expect rates.

This all pointed to a downward revision of the cost of capital when adjustments where made to the price limits.

He made it clear that the interests of the customer must be given greater consideration in price setting. Ofwat has commissioned surveys to find out what customers want and expect from their water companies. This will be taken into account when the price review takes place.

"For too many years the industry has been driven by experts and the first point at which the customer has contributed has been when the bill arrives," said Mr Byatt

He said a judgment about what constitutes a reasonable rate of return will be an important consideration when Ofwat sets new prices limits for the companies.

Earlier in the month it was announced that profits in the water companies' first year of operation were £1.4bn. This was £238m higher than government expectations before privatisation.

Last month Mr Byatt complained that a £1.7bn capital investment programme for the industry had been underspent by £50m even though householders' bills had been increased last spring to pay for it.

Textile industry 'under threat'

By Diane Summers, Labour Staff

A SKILLS crisis could threaten the ability of the textile industry to compete in international markets by the end of the decade, according to a study of textile manufacture and employment patterns.

The report by Lancaster University says training for textile workers is in a "chaotic state" as the workforce shrinks and gets older.

The findings "raise serious questions about the long-term viability of textile production in Britain".

The number of textile employees has fallen by more than half in 20 years to less than 250,000, largely as a result of competition from the Far East.

But the report says the balance of advantage has moved back to European producers as quality and speed of delivery have become as important as price. It also says that British industrial textiles remain among the most competitive in the world.

Labour turnover within the industry was at a virtual standstill during the 1980s, so workforces became significantly older. The study says mills will experience severe competition for young labour as experienced workers begin to retire.

This "represents a major threat to the continued existence of textile manufacture in Britain," because much of the skills training in the industry has traditionally been carried out on the job by more experienced workers.

The study says introduction of night shifts in response to competitive pressures and technological change has increased the proportion of male workers in an industry that has in the past provided large numbers of jobs for women, many of them part-time.

Mr Roger Penn, author of the study, said companies appeared not to be concerned about the industry's prospects over the next five or 10 years. "Since the Textiles Employers' Federation collapsed in the mid-1980s no one else seems to care either."

Management in the mills studied for the report "seemed unaware of the demographic time-bomb ticking away in their midst."

NUCLEAR ELECTRIC

Power company cuts annual losses to £14m

By Juliet Sychrava

NUCLEAR Electric, the state-owned company which operates the power stations of England and Wales, has cut its annual loss from £423m last year to £14m in the year ending March 1991, the company reported yesterday.

"This is the first rung of the ladder," said Mr John Collier, the company's chairman. Speaking at a press conference in London yesterday, he said Nuclear Electric should be judged on its current and not performance.

But although the company's operating results were better than the previous year, it had to keep driving costs down in order to win the confidence of the public and the government, which will review the future for nuclear power in 1994, Mr Collier said.

Turnover for the year was £2.22bn compared with £2.04bn last year.

Half this turnover, however, was generated by the government subsidy, levied on sales of coal or gas-fired electricity and paid to Nuclear Electric.

Operating profit was up by 44 per cent at £328m, and the company made a profit of £126m from its current operations this year, he said.

But this was turned into a £14m loss by the interest charges on the £8.8bn of liabilities accumulated when it was part of the Central Electricity Generating Board (CEGB).

The liabilities, which are mainly provisions for decommissioning or dismantling nuclear stations in the future, still dominate Nuclear Electric's balance sheet - which is £3.92bn in deficit, and must be revalued annually.

However, Mr Collier said yesterday, the government had assured the company in a letter of comfort that it would meet these liabilities, should they arise.

Meanwhile, Nuclear Electric paid off £485m of the debt this year, and expects to continue to do so.

Output from the company's power stations - both the older Magnox stations and the newer advanced gas-cooled reactors (AGRs), was up 6 per cent on the previous year, the highest output in their history. Production from the AGRs increased by 4 per cent.

This meant that the company planned to extend the life of the two best AGRs, Hinkley Point B and Heysham 2, by five years, Mr Collier said. This extra revenue allowed the company to revise its provision for decommissioning costs downwards by £723m, giving an exceptional credit in this year's results.

The company also hopes to introduce a new and cheaper decommissioning strategy which will cut the annual provision by at least a further £50m.

Meanwhile, operating costs per unit had been cut by 15 per cent, Mr Collier said, giving a cost per unit for nuclear electricity of 4p per kilowatt/hour, compared with a price last year of 4.3p, or 4.7p in today's prices.

Nuclear Electric's calculation of its unit costs does not fully reflect the capital cost of its stations, but is the result of dividing total costs by units produced. Even on this basis, the 4p figure compares with a cost of around 3.2p per unit for coal-fired electricity.

But because Nuclear Electric is a public sector company which finances its capital costs through liabilities, its 4p unit cost cannot be directly compared with that of its competitors, which include the full cost of loan financing for power stations.

Recognising this, Nuclear Electric recently published figures estimating the cost of nuclear power from its various different stations, assuming a 5 per cent return on capital.

Trevor Humphries

In optimistic mood: John Collier of Nuclear Electric, pictured yesterday, said the company had to push down costs to win the confidence of the public and government

BUSINESS AND THE ENVIRONMENT

The trap is set for hidden waste

By John Thornhill

Most consultants solve problems that are all too easy to identify. Ian Harrison makes a living from tackling a problem that most companies do not even recognise exists but which he estimates costs UK manufacturers £6bn a year.

As managing director of Orr & Boss consultants, Harrison advises companies about how they can reduce waste; hardly a glamorous task but one that is likely to assume far greater prominence in these environmentally-conscious and cost-cutting times.

Many companies, he says, only register the costs of waste in the narrowest of terms. A company will pay attention to the costs of waste disposal and will perhaps introduce energy-saving measures – such as switching off all office lights at the end of the day – but is still likely to ignore other opportunities to reduce costs.

Waste can take many forms which are not immediately recognisable: it can be the residue of paint left in the bottom of a can or over-elaborate packaging that is mindlessly discarded. It can be the costs of dealing with damaged stocks in a warehouse or having a machine working to a set of imprecise tolerances.

And there are also the additional but incalculable opportunity costs of the time and effort it takes to rectify problems, re-order stock and replace damaged goods.

Waste is largely a matter of definition. But what is often elaborately defined as residues, write-offs, defects or shrinkage by manufacturers is pure and simple waste to Harrison. In some cases, he says, the costs of waste have outweighed the company's labour bill or even its net profits for the year.

One company that has benefited from a deliberate drive to cut waste is Smiths Crisps, the subsidiary of the giant Pepsico Foods International business.

Harrison says such companies have always been reluctant to invest in the most efficient manufacturing methods because of their high initial cost. "Snack foods are a product that you never quite know how the market will take. There is a reticence to invest fully in the manufacturing line because of the risks involved," he says.

But Tim Raven, operations director of Smiths Crisps, says his company benefited greatly from the additional investment that was needed to reduce the waste at its manufacturing plant for its Quavers snacks.

A team from Smiths worked with Orr & Boss to improve the efficiencies of its manually-intensive production process which Raven says was wasting about 15 per cent of the material used in manufacturing its cheesy snacks.

The team changed the specifications of the cutters which cut the raw material into strips – a process which is "rather like taking a razor blade to a jelly baby" – and reduced the amount of drying time to prevent the subsequent cracking of the strips during curing.

The amount of material waste was reduced to about 4 per cent. And because of the improvements in manufacturing methods, Smiths has made further gains in terms of labour productivity.

Harrison points out: "Most companies only think about waste in terms of what it costs to dispose of it. But waste reduction gives you additional capacity."

Smiths' experience is likely to be matched by many other companies. Based on a recent survey of 50 manufacturing companies and its experience across a broad range of sectors, Orr & Boss estimated that manufacturing industry might be wasting £6bn a year in terms of materials alone.

Ironically it can often be the cleanest factories that are the worst offenders. "If you have efficient methods of removing waste then you tend to waste more material. If it piles up it registers as a problem," says Harrison.

But another dimension to the problem of waste is the environmental one. Less material waste results in less consumption but this is a connection that is seemingly made by all too few companies. Although 85 per cent of companies in the Orr & Boss survey had introduced a corporate environmental policy only 26 per cent of them thought that minimising waste was central to that policy.

Alice Rawsthorn talks to Braun's Dieter Rams about his approach to designing goods that last

No frills, no spills

It may seem paradoxical that someone who earns his living from persuading people to buy more products should want to encourage them to buy less, but that is precisely what Dieter Rams proposes to do.

Rams, who is head of design at Braun, the German consumer electronics group, is convinced that consumers are bored by the manic materialism of the 1980s. He believes the successful companies of the 1990s will be those that design products which last longer and do not date so that people need to replace them less often.

"We have too many things in our lives," he says. "There is too much clutter, too much visual and material pollution. One of the main challenges for industrial designers is to create products with longer lifecycles so we can buy fewer things."

Rams is one of the few designers whose words really carry weight within his own organisation. He is a doyen of industrial design, whose work at Braun has turned the the company into an internationally renowned model for design management.

At Braun the design function follows the Bauhaus ideal of being integrated with every aspect of the organisation. Ever since Rams joined in 1955 Braun has identified design as a critical competitive advantage in its attempt to overcome the problem of high German labour costs in the intensely competitive world of consumer electronics.

Rams and his 20-strong design team work alongside engineers, chemists, marketing executives and production planners to develop and refine the company's product range. Rams sits on the main board of Braun (which is a subsidiary of Gillette, the giant US group) and reports directly to the chairman.

Braun allocates a comparatively higher proportion of turnover – roughly 4 per cent a year – to product development. Its designers are involved with every part of the development process from the specification of raw materials to the marketing strategy for the finished product.

Braun is established as a world leader in markets such as shavers, clocks, calculators and kitchen appliances. Its design management system has become a classic case study in the business school textbooks. The name Braun is now synonymous with good design and Braun has more products than any other company in the design collection of New York's Museum of Modern Art.

Dieter Rams: 'We have too many things in our lives. There is too much clutter, too much visual and material pollution'

The Braun designers practise the Bauhaus doctrine whereby "form follows function". Their products adhere to the "10 commandments" of design defined by Rams which range from creating "austere beauty" to avoiding "superficial design cliches" and products being "easy to understand".

The commandments also advocate "ecological consciousness" and the creation of simple designs that "help clear up the chaos in which we live". It is these environmental issues that Rams believes will preoccupy industrial designers over the next few years.

One of the chief challenges, according to Rams, is "to aim to make products longer lasting so they stay on the market for 10 or 20 years". He cites the examples of two Braun kitchen appliances – the KM32 food processor and MX32 blender – which were introduced in the late 1960s and are still on sale in Germany today.

Rams is convinced that the development of more durable products will encourage consumers to be more discerning about what they buy and to replace things less frequently. At the same time a company like Braun would be able to reduce its use of raw materials.

However, he accepts that, as a commercial concern, Braun needs to bring out new products to generate sales. The design team does, he says, come under pressure from the marketing department to adapt existing products and to innovate by developing new ones.

But he claims there are sound financial reasons as to why it could also be in Braun's interest to avoid unnecessary change in its product portfolio by making sure that its old lines last longer.

"Financially it is always a risk to bring out a new product," he says. "Second, the longer a company continues with an existing line the less it needs to invest in new plant and machinery."

Product longevity is not the only environmental issue preoccupying Braun's designers. Another concern is the selection of raw materials. Braun has made progress in some areas. It recently found a replacement for cadmium, the substance that was used to stop white plastics from turning yellow.

"We have always tried to be responsible in choosing our materials," says Rams. "But there are problems. There are still some substances that we are not happy with."

The designers are also concerned with the environmental implications of the use and servicing of Braun products. One project is to try to ensure that the kitchen appliances can be cleaned more economically. Two new food processors, the MR300 and UK240, were designed with fewer grooves and rounded edges so that they are easier to clean.

The integrated nature of the Braun design system means the designers are in regular contact with raw material suppliers and are able to discuss such issues with them. Rams sees the struggle to improve raw material selection as "a fight between manufacturers and suppliers with designers in the middle".

One of his longer-term objectives is to set up a system whereby Braun takes responsibility for the eventual disposal of its products. Such a system would enable the company to collect and recycle some parts of the products and to ensure that the remaining parts were responsibly demolished.

"I have no idea how we will do it," he says. "But product disposal is going to become an increasingly important issue in the future. We are going to have to find a solution."

Aluminium x-ray gets the lead out

By Kenneth Gooding

The temptation to hide a lump of lead in a bale of used aluminium cans to be sold back to the aluminium industry is one some people find hard to resist.

Aluminium is so light compared with other materials and can be worth up to 20 times as much. Lead fresh from the smelter costs only half of what the aluminium industry is offering to get back its used beverage cans.

Lead is a very weighty metal so it is favoured by unscrupulous aluminium can collectors. Unfortunately for the aluminium industry, it is also the most damaging contaminant. Even the smallest quantity of lead makes the remelted metal unsuitable for new cans.

Lead is also hard to separate because, unlike ferrous metals, it cannot be removed easily from the aluminium by magnetic separators.

Scientists at the CRA natural resources group in Melbourne, Australia, claim to have solved this by inventing a machine that sorts recycled cans and rejects any that are contaminated.

Lead is a weighty metal so it is favoured by unscrupulous aluminium can collectors

It is an important breakthrough because recycling aluminium cans is a big business that is getting bigger every year. In the US, 55bn used cans were recycled last year and the industry paid $900m (£540m) for them.

Since it was installed in February, CRA's machine has revolutionised the recycling operation at Yennora, western Sydney, owned by CRA's aluminium subsidiary, Comalco.

The number of rejected used cans has been cut substantially from the time when the old inspection system resulted in a whole bale of more than 800 crushed cans being rejected every time contamination was detected.

CRA's new system involves cans being fed through a sorting machine at a production rate of about three tonnes an hour, or 43 cans a second on average. They are accelerated under gravity down an inclined slide plate and pass through a 400mm wide x-ray beam. If a contaminated can is detected it is rapidly ejected, by a fast-acting pneumatic deflector plate, from the stream of airborne cans leaving the inclined slide plate.

CRA says this system provides sufficient contrast to distinguish impurities ranging from lead lumps to sand and stones from multiple layers of aluminium cans when several pass through the x-ray beam together.

Comalco is paying about A$0.45 a kilogram (46p a lb) for used aluminium cans. It remelts about 685m a year at its Yennora plant and the resulting metal is rolled into fresh can stock or used in other high-grade aluminium alloys. Remelting cans takes only 5 per cent of the energy needed to produce new primary aluminium.

Australia is vying with the US to become world leader in the recycling of aluminium cans. Last year 62.9 per cent of all such cans sold in Australia were recycled (up from 62 per cent in 1989).

But the US regained the lead last year with a recycling rate boosted from 60.8 per cent to 63.6 per cent. This recovered 877,500 tonnes of metal – which is 2,500 tonnes more than the combined capacity of the three largest primary aluminium smelters in the US: Alcoa in Texas and Indiana and Alumax's smelter in Washington.

Having established a pattern in the US and Australia, the aluminium industry has been turning its attention to Europe. Last year only 26,000 tonnes of used aluminium cans were recycled in Europe but the recycling rate rose healthily from 16 per cent in 1989 to 20 per cent last year.

The European Aluminium Can Recycling Association says: "The US has had more than 20 years to achieve its present level of recycling. We have been around for a far shorter time. But a 50 per cent recycling rate in western Europe is feasible."

MANAGEMENT

Embracing customers in a different fashion

John Thornhill reports on the approach of Laura Ashley's new chief executive

Customers may be in for a lively time when Jim Maxmin, an effusive American businessman with a ready line in marketing jargon, takes over the post of chief executive of the Laura Ashley fashion and furnishings group next month.

Maxmin has a surprising remedy for the future of the struggling business. "You have to find out what your customers want, give it to them, and just love 'em to death," he says in his educated Philadelphian patter.

Although shoppers will no doubt warm to such an experience, they are likely to find Maxmin's embrace a very different kind of loving from what they were used to in the company's early halcyon years when the real Laura Ashley ran the show.

Maxmin's affections will be guided by market research, financial disciplines and management consistency necessary to run a complicated business with turnover in excess of £300m and with outlets in 28 countries.

The original style was born – in the early 1950s – of an altogether more instinctive approach stemming from the company's origins in the designs Laura Ashley drew on tea cloths on her kitchen table.

But the difference in style reflects both the differences in the company and the trading environment in which Laura Ashley currently finds itself.

In the early years, Laura Ashley and her husband Bernard ran a highly popular, if idiosyncratic, fashion and fabrics chain which basked in a rosy glow of public affection.

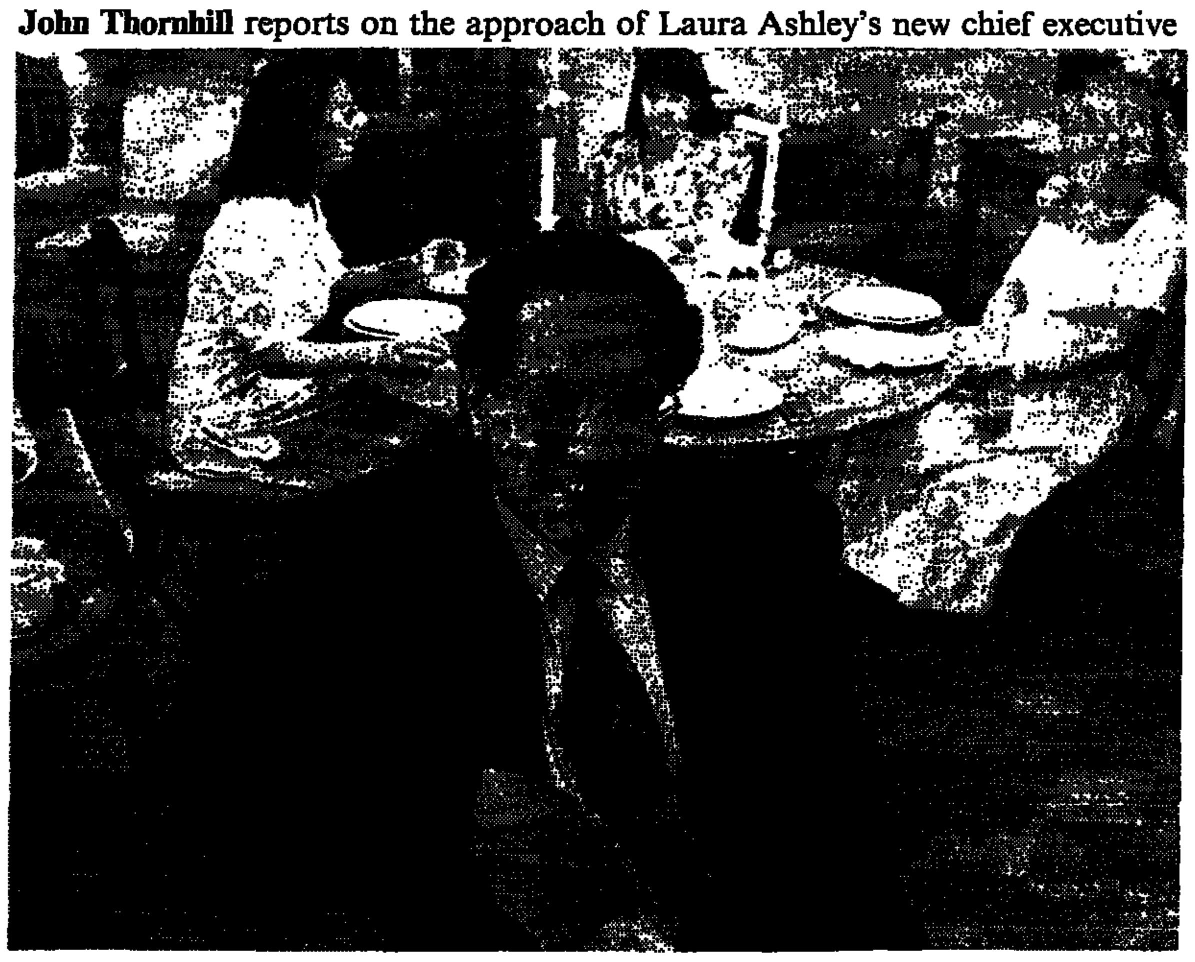
But since then, the damaging effects of over-expansion, misguided diversifications, and the recession have combined to dent Laura Ashley's progress. Although the company has grown substantially in size, the group's finances have recently fallen into a perilous state. From a peak pre-tax profit of £23.1m in 1988 the company swung into a £6.7m loss in the year to January 1991.

Early last year the company very nearly went to the wall after its bankers at first failed to agree among themselves on the terms of a much-needed refinancing. The company was only saved after the Bank of England intervened to sort out the squabble.

Having survived such a scary experience, Laura Ashley realised that the first imperative for the group was to revive its financial health.

"The short-term strategy was absolutely clear. We had to sort out the balance sheet. We had to sort out the cash and dispose of the peripheral businesses. These steps were all fairly straightforward," says Andrew Higginson, the finance director who joined Laura Ashley from Guinness early in 1990.

Straightforward they may have been but they were painful nonetheless. Laura Ashley herself took great pride in the considerate way the company dealt with staff and in its commitment to Wales, where she was born. The company was famed for its legendary niceness.



Jim Maxmin: obsessive concentration on target customers

But Laura Ashley's financial position left little room for sentiment. In September, the company announced it was to close seven factories with a loss of 1,000 jobs and would source its products from wherever was most commercially attractive. Laura Ashley's operations in Wales were drastically cut back. The head office had already been moved from Carno in Wales to Maidenhead in Berkshire.

Laura Ashley sold its Penhaligon's perfume chain, the Sandringham Leather Goods stores and its Bryant of Scotland knitwear business. It also shut down the Units chain of high street clothing stores.

By such measures, the company re-established its financial footing. And this was further strengthened in November when Aeon Group of Japan took a 15 per cent stake in the company, facilitating a second refinancing with its banks.

But although it had taken steps to sort out the business financially, Laura Ashley was still confronted by the problem of how it could take the business forward in trading terms.

Laura Ashley had rapidly grown from a cottage industry into an international business but its management systems and controls were clearly deficient in coping with the demands of the business.

In some respects the company's small-company structure had been a strength. It meant that the shop managers had been highly responsive to customers' wishes and had developed an instinctive feel for what they wanted. To many customers this approach gave the company a refreshingly distinctive feel as managers could order personalised stock.

"Shouting down the phone was very successful at first but as the business got bigger and went into different countries it became difficult to manage with such direct communication," says Higginson.

The nadir came in 1989 when a breakdown in communication and controls meant that Laura Ashley was two months late in shipping its winter collection to the US, thereby missing the start of its critical selling season.

Laura Ashley realised that every area of its business had to be professionalised. Computer and distribution experts were taken onto the payroll and more of the design function was brought in-house. "All the principles of the business are the same as when it was a small company; it is just that we had to have the skills and technology needed to cope with that on a big scale," says Higginson.

A great deal of emphasis has also been placed on developing the marketing strategy of the company. This has largely been done by Glenne Gibson, who joined Laura Ashley from Coopers Lybrand & Deloitte, the management consultants.

"Coming from the outside it was easy to spot that the company was product-led, not consumer-led," she says. She set about constructing a programme of qualitative and quantitative market research to establish what the customer thought about the Laura Ashley brand.

Last November Laura Ashley undertook market research. Initially 150 25 to 34-year-old women were consulted to find out what they were looking for from the Laura Ashley brand and what they thought of garments, materials and ranges. They were asked: "What do we need to do with our products to turn you on?"

Gibson quickly discovered that they thought Laura Ashley was letting them down badly in terms of styling, cut and fit. There were also whole areas – such as clothes that could be worn to work in offices – on which the company was missing out.

"That research gave us a set of hypotheses and assumptions to work with and test quantitatively," Gibson says. "We then put questionnaires out in the stores and got information about current customers, their income, their propensity to spend on clothes, their attitudes to personal fashion and where else they shopped. We had the most amazing response and a huge sample to work with."

Replies were received from 22,000 store shoppers, 10,000 UK mail order customers, and 25,000 US shoppers.

"These enormous samples show the great loyalty to the brand. People wanted it to work. We have to unlock that potential," she says.

The results of that research have been fed back into the design process and have already led to various changes in marketing the goods in the stores. For example, clothes are now designed with a more international market in mind and are displayed in stores according to colour ranges rather than by product lines.

Maxmin will no doubt bring fresh impetus to this marketing process. "To my way of thinking Laura Ashley is a brand. It is not a retailing company. It is not a fashion company. It is not a production or manufacturing company. I see the management task as simply unleashing the intrinsic strength of that fantastic brand."

Maxmin talks enthusiastically about the opportunities to exploit the brand internationally – whether this is by means of running its own stores or by franchising them, selling its branded products through other retailers' outlets, or simply by adding its name to products – as with bed-linen in the US.

An enormous amount of work remains to be done. But Maxmin clearly believes that the company's role in life is now to concentrate obsessively on its target customers.

Laura Ashley's shareholders – who have endured years of frustrations and financial uncertainty – would surely say Amen to that.

Home is where the terminal is

Andrew Jack reports on teleworking

The number of people working from home is on the rise. Although it is still sometimes dismissed as a futurologists' fad, "telecommuting" or "telework" now involves more than 500,000 Britons full-time and a further 1.5m part-time.

Modern technology has permitted this liberation to take place. Digital telephone exchanges, modem links, and affordable but sophisticated computers have allowed the staff of large companies as well as self-employed individuals to work in their own houses, or at sites removed from any headquarters building.

A new book lists practical steps for implementing teleworking in existing organisations. Steven Burch makes no bones about his position. "My starting point is the conviction that teleorganising can be a viable route to lead managers out of structural problems," he writes in the preface. But he also justifiably scorns some of the more rosy projections of the growth in telework.

In the first section, Burns sketches the development of teleworking, and lists some of its implications. Working away from the office is likely to reduce elements as diverse as union organisation and pollution; conversely, it will boost home deliveries and require different house design.

Perhaps the book's greatest value is in the large number of examples of telework in practice in the UK.

A major objection to telework is the risk of social isolation; staff are cut off from daily interaction with their colleagues. However, Enfield Council's scheme for its poll tax administrators has uncovered no such complaints. Visits by supervisors (themselves based at home), training sessions, and phone conversations with colleagues have actually increased human contact. Officials estimate the employees cost £500 to £1,000 a year less than office-based staff.

The author stresses that not all telework takes place from people's homes. In the second section, he attempts to sketch out a four-part classification, only the first of which involves "lone telework". This is ideal where individuals want to be self-employed. It also works where an organisation with a shortage of skilled labour needs to penetrate a region as widely as possible, not excluding anyone who might be dissuaded by having to commute.

Secondly, there are "teleoutposts" where staff are grouped together in their own local office. This greatly reduces commuting time while avoiding the problem of social isolation. Some outposts are very large. Lloyds Bank has a remote centre for 110 word processing staff in Newton Aycliffe, for example.

Frustratingly, like most of Burch's case studies, there is not quite enough information. The friendly environment, ease of recruiting new staff and the nature of the job – unimpeded by many normal office interruptions – has boosted productivity, he says. But there is no indication of how great these gains are.

His third category is "telecoops": remote working centres managed autonomously which act as subcontractors to one or more companies. Finally, there are "tele-organisations", a rather more opaque category including companies which have developed entirely around teleworking, without the conventional constraints of buildings.

The final section in the book attempts to guide managers trying to launch their own telework schemes. It touches on tax, insurance, health and safety, and union issues. He suggests that the most important characteristics for teleworkers are self discipline and self reliance.

The jobs best-suited to telework, he argues, will be those with least demands on bulky equipment, storage facilities or human interaction; whose productivity can be easily measured, and which involve large amounts of uninterrupted work.

However, at the end of the book, the reader is still left wondering whether the case for telework has been proven. What are the tangible, numerical benefits of telework? Why are so many companies reluctant to implement schemes? The practitioners still await more rigorous analysis.

Teleworking: a strategic guide for management. Kogan Page. £18.95.

ARTS

TELEVISION

Close-up on the sporting finish

So "Curtly is better in the flesh", is he, and the way to appreciate a sporting occasion properly is to go along to the event and buy a ticket? That was the assertion made by Teresa McLean in this column last month while I was on holiday. Next thing you know someone *will be telling us to read* "Great Expectations" instead of watching it on the box, and advising us that "La Bayadère", which you can see on ITV tomorrow is even better if watched at Covent Garden. You could, of course, have travelled to Edgbaston at the weekend, bought a ticket, and mingled with all those people in Union-Jack tee shirts with knotted handkerchiefs on their heads. We know they were there, those of us who stayed in the cool of our rooms watching on television, because the camera showed us: they were sitting not far in front of another group who beat their beer cans in a rhythmic cacophony once it began to look as though the West Indies were going to win no matter what Chris Lewis might do about it.

Of course we effete viewers, slumped on our old green sofas, with the chilled Australian Chardonnay on one side and the electric fan on the other, were unable to join in and contribute to the true spirit of the occasion. We took no part in the Mexican Wave. When Pringle and Lewis *emphasised the incompetence* of Morris, Atherton and Hick (who had been out after scoring one run each) by putting up a ninth wicket stand of 95 we did not participate in the slurred chorus of "Rule Britannia". Our nostrils had to make do with the scent of honeysuckle from the garden and roast lamb from the kitchen whereas those who had queued to get into the ground could savour the aroma of chip fat and disinfectant which is such a notable characteristic of British public places.

Joking aside, the enjoyment of high quality sport on television – and even some not so very high quality as we shall see in a moment – is one of the great pleasures of the age. *Travel in this country, unless* you are willing to ride a high performance motorbike and most people are not, is now so appalling that reaching any sporting event is a nightmare. Getting away is even worse: some of the nastiest hours of my life have been spent attempting to leave sports venues at the same time as tens of thousands of others. But television sport developed in the nick of time.

In theory Teresa McLean is no doubt correct: you get the best experience by being present. In practice, anybody who fought their way to the Test ground and spent the weekend encouraging the development of skin cancer, will have been unable to watch the Panasonic National Athletics Championships from Birmingham on ITV and Channel 4, the international Federation Cup tennis from Nottingham and racing from Ascot on BBC1, a splendid Grand Prix motor race from Hockenheim, also on BBC1, the final leg of the Tour de France on C4, the astonishing World Cup Triathlon from Portaferry, County Down on ITV and, for real fanatics, *American football at Wembley* on C4.

True, if you managed to get home in time you could see "highlights" of several of these events on late night television, but that is just not the same thing as watching in real time. A really good televised sport needs to last all day, like a one-day cricket match, better still all week like a snooker championship, or best of all for week after week like the Tour de France. You would have to be certifiable to go out into the mountains and plains of France, day after day, to join those other maniacs on their folding chairs who sit under umbrellas from morning till night waiting for the peloton to flash past. But switching to *Channel 4 for the Tour de* France every day at 6.30, or for the repeat late at night after everything else has finished, can become a very pleasant habit indeed.

The technology now makes coverage of this sport, like so many others, extraordinarily effective. On the old green sofa we travel with the bunch, we switch to the chasing group, we dash up ahead to see who has made the break (Chiapucci, who else) and only once this year, during that dreadful day in the Alps, can I remember an occasion when the weather was so bad that the helicopters could not fly and the cameramen on the motorcycle pillions were thus unable to bounce their pictures back to us. However the pleasure is not solely in watching Indurain's stonewall expression as he descends a wet mountain road at 65mph, or Greg LeMond's determination as he proves that he can still ride a stupendous time trial, although in such matters home viewers with the benefit of zoom lenses have all the advantages over roadside spectators. But in addition there is the simple enjoyment to be had from looking across the riders to the French vineyards or rivers or châteaux.

In athletics we now have a camera truck in the outside lane, for part of the track anyway, which brings us the sort of big close-up action pictures that were hitherto the speciality of wildlife programmes. In the days when my brother ran for Britain he and his contemporaries – Brasher, Pirie, and so on – used to cross the line panting like dogs. Today athletes such as McKean and Whittle come in from a fast 800 metres breathing no more heavily than after crossing the room to switch on the television. We know, because the shoulder-mounted cameras at the finish take the viewer *closer to the finishers than I* ever managed even as a schoolboy spectator.

In cricket, too, the technology provides the viewer with an appreciation of the game that the spectator in the stands cannot share. Yes, there are too many slo-mo replays, far too many, but the close-up on a "drag plate" (a steel cap over the toecap of a bowler who drags his trailing foot at the moment of delivery) or the comparison of a stroke seen from the mid-wicket camera and then from behind the crease, can speak volumes. If watching on television is no substitute for being there, it is equally true that being there is no substitute for watching on television.

The one sports programme this week where technology was of little significance was *The Game*, which is available only in London, providing as it does "the only summer soccer on the box": the East London Sunday League Division 4. *This week we saw Bechers* play Livingstone Academicals and the television crew must have outnumbered the spectators. Here the expertise and attraction comes mainly from Danny Baker, a sharp cockney whose commentary contains passages such as "Oh yeah, presumably an east London member of the *Maradona* family there" which is his way of identifying an instance of handball.

Baker's quickness and wit is often more welcome to the viewer than the supposed expertise brought to television by former champions employed as commentators. There is no rule. Some, such as Richie Benaud and James Hunt, do *make very useful members of* broadcasting teams. Hunt's vivid explanation on Sunday of why it is so much more tiring to drive close up behind another car than to lead the race was the best sort of added-value that viewers can get from ex professionals. But the fact that someone was once *a great champion is no* guarantee that they will make a great broadcaster, as Virginia Wade proved long ago (why, with that unfortunate monotone which makes her sound permanently bored, do they go on using her?) and as Steve Ovett is now busy confirming. He pursues the belief of so many American sports commentators that it is *better to say anything than to* say nothing, and appears to have decided to work the word "particularly" into every sentence.

However good, or bad, the technology, commentators can make or break a programme. But sports programmes now bear the same relationship to *the real thing as nylons do to* silk stockings: less luxurious, much cheaper, far more convenient, and hardly ever seen as a substitute any more, *but considered a great boon in* their own right.

Christopher Dunkley

Miguel Indurain after winning the Tour de France: a scene spectators view from afar

Alastair Muir

Maria Teresa del Real

Giselle

ROYAL FESTIVAL HALL

One hundred and fifty years ago this summer, *Giselle* first saw the stage lights of the old Paris Opera. ("She was born last night", wrote Adolphe Adam, composer of the score, on the day after the premiere, "and her delivery was accomplished by circumstances that give promise of a long life"). Whatever the changes and depredations brought by a century and a half of performance, there remains something precious, true and still potent in this dear ballet to tell us why it is so enduring a masterpiece. Now, as then, the second act is the heart of the work with all the hallowed paraphernalia of moonlit agonisings and protective love. Now, as then, we delight in the prettiness of local colour and peasant festivity in the first scene. And now, as then, the motor force of the piece must be the self-immolation of a great ballerina as Giselle to give the drama its heart, and the sacred canon of airy steps and madness is once again revealed to us.

In reviving the version made 20 years ago by Mary Skeaping, English National Ballet marks *Giselle's* anniversary with a careful production which will be seen throughout this week. It looks at its worst on the Festival Hall's *shelf-stage*, which is narrow, dreadfully resonant – the landing from most jumps sounds like the fall of the House of Usher – and *inimical to theatrical magic. It* is, furthermore, a staging which leaves nothing to the imagination, believing that every dramatic point must be made by the mechanics of the presentation rather than by the artists involved, who move among its quaintnesses and emotional sign-posts like people negotiating a room overcrowded with furniture. The ideal view is that provided by the Kirov Ballet, where a divine simplicity, the fruit of unbroken performance for *Giselle's* entire life, frees the tragedy of everything except its romantic essence. This ENB presentation keeps interposing its fuss between the ballet and its public, as if explaining the story to a child.

On Monday night Maria Teresa del Real was Giselle, giving a sincere performance within the terms of her own warm temperament. But the company's own illustrious history with the ballet – from Markova onwards – has taught us to expect something both more spiritual and more dominating of the action. The evening's laurels went to Jose Manuel Carreno as a youthful Albrecht in whom a freshness and directness of playing is matched by a beautifully easy and commanding technique, which triumphs over the wretched confines of the stage. *There was a fine, icy Myrtha* from Josephine Jewkes, and a feeling that certain other members of the cast had but lately been recruited from the walkways *on the South Bank.*

Clement Crisp

London Sinfonietta

ROYAL ALBERT HALL, RADIO 3

The core of the London Sinfonietta's Proms showcase on Monday, conducted by Lothar Zagrosek, was thoroughly Viennese. Only York Höller's tiny *Improvisation sur le nom de Pierre Boulez*, a neat tribute artfully woven from Boulezian gestures, and Shnitke's distinctly below-par 1979 Concerto for piano and strings right at the end of the programme compromised the flavour. Mahler's *Lieder eines fahrenden Gesellen* and *Kindertotenlieder* were given in chamber arrangements, Webern's Five Orchestral Pieces Op 10 began the evening, and Christopher van Kampen was soloist in HK Gruber's Cello Concerto.

David Murray welcomed the concerto warmly when the same performers introduced it to London at the Queen Elizabeth Hall last November. Written for Yo Yo Ma, who gave the premiere at Tanglewood in 1989, it seems on first acquaintance an extraordinarily successful piece, emotionally tense and brooding yet with undercurrents of ironic self-awareness and bittersweet sentiment which well up to the surface in the jazzy slants of its rhythms and distant echoes of popular-song styles. The music moves outwards and upwards from the dark, impassioned opening in a wonderfully sustained arc to create a sequence of variations that is tightly constructed yet effortlessly effec*tive in its balance of tonality* with chromaticism.

However intellectually satisfying the argument, it is the sheer sound of the piece that is immediately seductive. The metallic washes of vibraphone and brass which invade the textures from the opening pages, the sudden outbursts of frantic activity, minutely coloured, which still manage to keep the cello line lucid and expressive, and the lingering melodic tag with which the concerto slips from view, are images that lodge themselves permanently in the mind.

The Sinfonietta played the concerto in the composer's most economical version, scored for just 14 players. The lean sound fitted well into a programme in which Mahler's songcycles were heard in such spare versions; that of the *Fahrenden Gesellen* songs was the arrangement made by Schoenberg for the Society of Private Musical Performances in 1920, while Reinbert de Leeuw's of *Kindertotenlieder* was designed as its companion, using the same combination of piano and harmonium to flesh out the harmonic skeletons.

They remain curiosities, no real substitutes for the originals, but were beautifully played by the Sinfonietta, furling their instrumental lines around the ripely burnished phrases of the Polish-born mezzo Jadwiga Rappé. The lack of poise in the Webern pieces at the start of the evening was never remotely *to return.*

Andrew Clements

Montepulciano Festival

Perched high on a Southern Tuscan hill, Montepulciano provides an ideal home for a summer music festival. The town is small, craggily beautiful, full of stimulating historical associations, contained in its topographical boundaries, and richly varied *in the sites it* offers – outdoors as well as in – as performance space.

One proceeds from town square, framed in classic Tus*can fashion by Duomo and* civic palazzo, to the various churches which serve so well as concert halls, and thence to the little Teatro Poliziano – each time with a growing feeling of exhilaration at the adventure of the journey and the reward of arrival. In festival terms, place is (of course) not everything: purpose and planning matter more. But when in 1976 Hans Werner Henze initiated the *Cantiere Internazionale d'Arte* at Montepulciano, he provided himself with an incalculably strong physical base on which to build.

In its 16th year Montepulciano (July 20 - August 4) exerts a compelling attraction. From the earliest years *FT* writers have been regular visitors to the festival, so readers may perhaps need no more than a brief reminder of its somewhat unusual artistic focus. One of the most renowned of living composers is its artistic director; and young performers, not stars, fill its bills.

This was, in part, true of Aldeburgh in Britten's day; it remains in similar part so of Spoleto in Menotti's (though *that particular festival formula* has apparently lost much of its potency). At Montepulciano, however, the aim is to achieve a thorough blend of "international" and "local", to make festival events a genuine part of the town's popular activities.

Alongside the visiting performers – the resident orchestra this year for opera and concerts was made up entirely of young instrumentalists from re-unified Berlin – Montepulciano youth is kept firmly prominent. In the big music-theatre event, *Labirinto*, that unfolded in the main square on two festival evenings, troupes of young Montepulciano drummers, dancers, mimes and athletes meshed skilfully with professionals to create a rousing al fresco spectacle.

Rather confusingly, *Labirinto* was proclaimed a "mime-drama" by Henze with music by the little-know young English composer Roderick Watkins and in a production by Philipp Himmelmann – whether Henze's active role in the proceedings went further than the provision of an embarrassing purple-prose-poetic epigraph in the festival booklet was left unclear. Reading this, one expected a stale 1960s "happening" given a nos*talgic 1990s* re-warming; and feared the worst.

But fears were unjustified. *Labirinto*, which lasted just over an hour, came across as a vividly simple re-telling of the Jason-and-the-Minotaur legend. Its visual strokes were broadly colourful, unfolded in well-drilled formations and with enjoy*able touches of "popular"* humour; its aptly poetic electronic and percussion shivers were precisely timed; its narrative sweep built up steadily, to *fill the square and the warm* Tuscan evening with mime-visions of surprising grandeur. Whether *Labirinto* could (or should) be tried elsewhere is beside the point: as a festival event unique to Montepulciano it was elating.

This year Montepulciano made its choice of operas from those intriguing out-of-the-way items that indicate the quirks and (if successful) canniness of an artistic director's taste. One is the Italian premiere of Mark-Anthony Turnage's *Greek*, the East End *Oedipus rex* that knocked Londoners out at the Coliseum last year. I had to miss *Greco* (as it becomes in Italian translation), which was *being reserved for the final few* days; William Weaver will report here in due course.

The other was an Historically Interesting Italian opera of the late 18th century that in its Montepulciano staging proved to have something rather more than mere Historical Interest in it. This was Paisiello's *Nina, ossia la pazza per amore* (1789), an adaptation in translation of a French libretto (earlier set by Dalayrac). A lyric *comèdie larmoyante* in a Rousseau-esque pastoral setting, it moved contemporary audiences to frenzies of sympathetic emotion and floods of tears.

The thinness of the opera would seem to be the chief obstacle to its modern revival. Star-crossed (or rather father-crossed) in love, the heroine loses her wits (lengthily); then, gently (and lengthily) urged by the guilt-ridden parent, a posse of affectionate friends, and eventually the revenant lover Lindoro *himself, she radiantly* (and lengthily) recovers them. Paisiello's stock of musical formulas is small; repetition of phrases plays a heavy part in their creation.

'Paisiello's formulas came to life: this, one felt, is what festivals are for'

Yet the charm of the Montepulciano *Nina*, staged with a graceful (but fortunately not too academic) nod to "authentic" production practice, was not to be denied. The singers (Italian professionals in early career stages, a student chorus from Bologna) exuded naive freshness – occasionally a bit creaky, more often sweetly tender and captivating. The Berlin youth orchestra under the excellent Markus Stenz (who conducted the 1990 Berlin premiere of Henze's most recent opera, *Das verratene Meer*) made buoyant, airy sounds – nothing cloyed or clogged. The Nina, Cristina Barbieri, was promising, the Lindoro, Elio Ferretti, the best young Italian tenor I've heard in ages, with tone beautifully clean and well-formed (but he's an inert mooncalf on stage).

Paisiello's formulas came to life: this, one felt, is what *festivals are for. In addition to* the rewarding weekend round of morning and early-evening chamber concerts, I was similarly – that is to say, *festively* – delighted by the Berlin orchestra under Stenz on their own, in a concert of Stravinsky, Henze (two mildly liquid-lyrical excerpts from the *1950s opera King Stag, newly* worked) and Detlev Glanert. The last-named, a 30-year-old Hamburg composer and Henze pupil, had written for *Montepulciano a Parergon on* themes from his recent opera *The Emperor's Mirror*: dark, richly scored swirls revealing a highly individual harmonic ear and a fastidious scoring hand.

Max Loppert

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 An evening with the King's Singers. Sat: Dmitry Sitkovetsky and Bella Davidovich play violin sonatas by Schubert, Prokofiev and Grieg (6718 345)

■ BERLIN

Renaissance Theater 20.00 Herrengold, a play by Andreas Pfluger based on the popular German television crime thriller, starring Gunter Lamprecht (312 4202)

Kleines Theater 20.00 Das Küssen macht so gut wie kein Geräusch (Kissing makes no noise), authentic Berlin revue with ample local colour (821 3030)

■ BUDAPEST

Merlin International Theatre 19.30 Franz Molnar's entertainment The Play's The Thing, performed in English. Daily except Sun, in courtyard of the City Council, Gerloczy u. 4 (117 9338)

Dominican Court 20.00 Recital by the Mandel Quartet, in courtyard of the Hilton Hotel, Hess Andras ter 2

Hungarian Folklore 19.00 in Buda Concert Hall, Corvin ter 8, and 20.00 in Pest Concert Hall, Vigado ter 2. Tickets available from Central Theatre Booking Office (Andrassy ut 18)

■ GENEVA

Hôtel de Ville 20.30 Avery Gosfield conducts Schola Cantorum Basiliensis in a concert of songs dating from around the time of the founding of the Swiss Confederation in the 13th century (289982)

LONDON

DANCE

Covent Garden 19.30 Birmingham Royal Ballet in Frederick Ashton's La Fille mal gardée, designed by Osbert Lancaster, with music by Hérold arranged by John Lanchbery. Repeated every night till Sat, plus next Mon (071-240 1066)

Royal Festival Hall 14.30 and 19.30 English National Ballet in Mary Skeaping's version of Giselle, with sets and costumes by David Walker. Also tomorrow, Fri and Sat. ENB season runs till August 17 (071-928 8800)

MUSIC

Purcell Room 20.00 Saxtet, Birmingham's internationally acclaimed saxophone quartet presents a programme entitled Horns of Plenty (071-928 8800)

Royal Albert Hall 19.30 Stephen Hough plays Mozart's Piano Concerto No 9, and Linda Finnie and Gary Lakes are soloists in Mahler's Das Lied von der Erde, in a concert with the BBC Symphony Orchestra conducted by Mark Elder. Tomorrow and Fri: Tadaaki Otaka conducts the BBC Welsh Symphony Orchestra (071-823 9998)

THEATRE

● Spunk is a widely acclaimed New York Public Theater production written and directed by George Wolfe, adapted from short stories by the black American Zora Neale Hurston, using blues and dance to illustrate three compelling tales of survival (Royal Court 071-730 1745).

● The Lady from the Sea is a Womens Playhouse Trust production of Ibsen's classic play of love and freedom, directed by Jules Wright (Riverside Studios 081-748 3354)

● *The Rose Tattoo is a Peter Hall* Company production of Tennessee Williams' heated but joyful celebration of sex, starring Julie Walters (Playhouse 071-839 4401).

● *The Manchurian Candidate* (1959) is a play by John Lahr from the novel by Richard Condon, about a brainwashed all-American hero returning from a Middle East war. A New Vic Company production directed by Robin Midgley, starring Gerard Murphy, Sian Phillips and Connie Booth. Runs till Aug 10 (Lyric Hammersmith 071-836 3464).

● Carmen Jones, the Hammerstein/Bizet all-black musical, is enjoying a hugely successful run in a classy production by Simon Callow (Old Vic 071-928 7616).

● *For information about other* shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MUNICH

Staatsoper 17.00 Wolfgang *Sawallisch conducts Die* Meistersinger von Nürnberg, the closing performance of this year's Munich Opera Festival. Bernd Weikl sings Sachs, Hermann Prey is Beckmesser and Lucia Popp is Eva (221316)

■ NEW YORK

MUSIC

Philharmonic in the Parks 20.00 Raymond Leppard conducts the New York Philharmonic in a free open-air concert at Dyker Beach Park in Brooklyn. The programme consists of Vivaldi's Concerto for two trumpets, Brahms' Third Symphony, Respighi's Fountains of Rome and Copland's Three Dances from Rodeo. This is the last of this summer's Philharmonic in the Parks concerts (580 8700)

Avery Fisher Hall *20.00 Alicia de* Larrocha is soloist in Mozart's Piano Concerto No 21, with the Mostly Mozart Festival Orchestra conducted by Gerard Schwarz. The programme also includes Prokofiev's Classical Symphony and Mozart's Linz Symphony. Tomorrow: Cleveland String Quartet. Fri and Sat: Pinchas Zukerman and Yefim Bronfman are soloists in concertos by Mozart and Haydn (875 5030)

New York State Theater 20.00 Paul Gemignani conducts Scott Ellis' production of Sondheim's A Little Night Music, also Sat matinee. Tomorrow and Sun matinee: Turandot. Fri: Guido Ajmone-Marsan conducts Nicholas Muni's production of La traviata. Sat: first night of Jonathan Eaton's new production of Cav and Pag (870 5570)

OFF BROADWAY THEATRE

● *"Mr Gogol and Mr Preen* is Elaine May's poignant, funny play about the relationship between an ageing New York writer (Mike Nussbaum) and a vacuum-cleaner salesman (William Macey), showing both actors at their best (Mitzi E. Newhouse Theater downstairs at Lincoln Center, 150 West Sixty-fifth Street (239-6200).

● Tony 'N' Tina's Wedding: a wedding at St John's Church, 81 Chistopher Street, then a reception at 147 Waverly Place, with Italian buffet, champagne and wedding cake (279-4200)

● Breaking Legs is Tom Dulack's comedy about what happens when the Mafia meets Broadway: Philip Bosco and Vincent Gardenia play a pair of mobsters who back a new play to promote their own interests (Promenade Theater, Broadway at Seventy-sixth Street, 580-1313).

● And The World Goes 'Round: The Songs of Kander and Ebb. A musical entertainment celebrating the 26 years of *compositions by the composer* John Kander and lyricist Fred Ebb, with a cast led by Bob Cuccioli, Karen Mason, Terry Burrell and Joel Blum (Westside Theater, 407 West Forty-third Street, 307-4100)

● Pageant is a musical spoof of beauty contests, conceived and directed by Robert Longbottom (Blue Angel, 323 West Forty-fourth Street, 262-3333).

● Ticketron answers inquiries and sells tickets (246 0102)

■ PARIS

Eglise Saint-Germain des Pres 20.30 Joel Suhubiette conducts the Ensemble vocal et instrumental Les Elements in Samuel Barber's Agnus Dei, the original 1893 *version of Fauré's Requiem* and four motets by Poulenc. Tomorrow at Forum des Halles: harpsichord recital by Virginia Black (4804 9801)

Gâité-Montparnasse 21.00 Callas, a one-woman show based on interviews with the diva, devised by Jean-Yves Picq, directed by Dominique Lardenois, with Elisabeth Macocco as Callas. Runs till Aug 11, daily except Mon (4322 1618)

A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

■ VIENNA

Arkadenhof 20.00 Milan Telecky, viola, and Helena Gaflorova, piano, *give a recital* of music by Hummel, Martinu and Zelenka (4000 8410)

Deutschordenshaus 20.15 Ensemble Per Arte plays chamber music by Vivaldi and Mozart, *performed in period costume.* Repeated tomorrow, Fri and Sat (679108)

Hofburg 20.30 Vienna Hofburg Orchestra plays Strauss waltzes and operetta favourites, repeated tomorrow and Sat in Konzerthaus (587 2552)

Konzerthaus 20.15 Manuel Hernandez-Silva conducts the Vienna Mozart Orchestra, performing in period costume, also Sat in the Mozart-Saal (587 2552)

Raimundtheater 19.30 The Phantom of the Opera, musical by Andrew Lloyd Webber. Daily except Mon *(59977)*

Schönbrunner Schlosstheater 19.30 Vienna Chamber Opera's German-language production of Le nozze di Figaro, also tomorrow. *Fri and Sat: Don Giovanni.* Season runs till Aug 15 (824566)

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0500-0530 Moneyline

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Superchannel

1800-1830 FT Business Weekly

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2330-0030 FT Business Weekly

Sky News

1030-1100 FT Business Weekly

CNN

0710-0740 Moneyweek

1540-1610 Your Money

1900-1940 Moneyweek

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FINANCIAL TIMES

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Making local councils work

MR MICHAEL Heseltine has a busy few months ahead of him. His summer reading includes thousands of submissions on his proposals for a new council tax and on a Local Government Commission to restructure local government. He must digest these and revise his proposals by the end of the summer if the necessary legislation is to be launched in the autumn. Then these complex reforms must be steered through parliament before a spring election if the council tax is to be up and running for April 1993. At the same time he must fight his corner with the Treasury if the council tax is to enjoy a birth process less stressful than that of its older brother the poll tax.

As if all this were not enough, the environment secretary has now issued a third green paper outlining proposals for streamlining the running of local councils. His suggestions include the possibility of elected mayors, cabinet government for councils and a move away from decision-making by committee. The green paper is rather greener in tinge than the council tax plans and thus there is scope to influence the outcome rather more than with its predecessors.

Damaging conflict

Mr Heseltine devotes most of his green paper to questions of internal structure, examining alternatives to the current system of administration by committees. One option is for a directly elected mayor to act as chief executive officer with a mandate from the whole local electorate. Such an arrangement carries the potential for damaging conflict, however, since a mayor of one political party might have to co-exist with a council dominated by another party – particularly where a third of councillors were elected every year and the mayor less frequently. The inherent conflict in such a dual mandate explains why directly elected mayors are not common outside a few US cities.

Other options include the appointment of a council manager to take over the day-to-day running of councils and a formal cabinet system to separate the executive and representational functions of councillors. At the very least, it should be possible for decision-making to be devolved to committee chairmen. Any of these changes would almost certainly require the introduction of salaries for those who took on such full-time responsibilities. There could also be consequences for the methods of election of councillors which need to be made clear.

Individual councillor

However, the paper is disappointing on how little it has to say about the role of the individual councillor. Whether the green paper leads to radical reform or simply easier delegation of decision-making, the main issue is the role of the ordinary elected member. Currently he or she must agree to sign away all hopes of a normal life in return for spending most evenings at committee meetings or dealing with voters' problems. It is hardly surprising that those who agree to such a self-denying ordinance are so often untypical of the people who elect them.

And, as the Audit Commission has shown, the result is singularly unproductive in terms of setting overall policy strategy or reviewing service performance. If councillors could be persuaded to organise their time better and let managers manage, it should not be beyond the bounds of possibility for a councillor to see the job as no more than a couple of evenings' work a week. And the quality of local services would benefit from clear strategic direction and robust performance review.

Mr Heseltine's green paper with its emphasis on structure rather than procedures fails to address these issues. That is a pity, because there is considerable scope for improving the quality of local decision-making within the present committee-based system.

Bottoming out

THE PREVAILING mood of both the UK stock market and economic observers has swung sharply in recent months. By contrast, economic activity has remained subdued. The recession has not deepened; yet there is little sign that recovery is under way.

Yesterday's Confederation of British Industry quarterly survey suggests that the bottom of the recession has been reached. Once seasonal variations are removed, the business confidence indicator, the most reliable guide to future output changes, is unchanged from the previous survey.

Yet there is little evidence in the survey to support the chancellor's weekend claim that the economy is making "dramatic progress", or the stock market view that recovery is imminent. Companies report depressed output and orders. Expectations for the next four months are no more optimistic.

The explanation for the recent share price rally was last week's good news on trade and retail sales. In fact these figures themselves provided little evidence of a strong recovery. Monthly retail sales data are notoriously volatile, while comparisons over three and six months suggest that retail sales have at best stopped falling. Meanwhile this year's current account improvement is as much a product of depressed import spending as of recovery in export growth.

The underlying reason for the rise in sentiment is more likely a feeling that after four quarters of recession, the time for recovery has come. Here the CBI survey suggests a note of caution. The previous two recessions lasted for just four quarters; and both times the CBI business confidence indicator rose by more than 15 percentage points between the last quarter of the recession and the first quarter of recovery.

This time business confidence has not risen in the fifth quarter. This may be because of a premature recovery in business confidence following the end of the Gulf war. Alternatively the combination of high real interest rates, high levels of debt, and sluggish world economic growth, may be delaying the upturn.

Certainly the CBI survey provides little clue as to the source of recovery. It will not not come from investment for most companies are still planning to reduce investment spending over the next four months. Nor is the traded goods sector likely to drive the recovery as neither expected export output or orders have risen since the April survey.

It is the behaviour of consumer spending that will determine the timing and strength of recovery. Most economists expect the recent interest rate cuts, falling inflation and slower unemployment growth to revive consumer spending in the second half of the year. "If anything," says the latest Treasury Bulletin, "some recovery in consumer spending may already be overdue".

Yet there is a risk that consumers will again confound the forecasters. For with real interest rates still high and the housing market depressed, any consumer-led recovery could well be sluggish. In any case, the timing of the recovery is unlikely to be confirmed until the end of this year at the earliest. For the moment, at least, the recovery is on hold.

Necessary steps

IT IS too soon to say that President F W de Klerk has restored his credibility. Final judgment must wait until the measures he announced yesterday are put into practice by his new cabinet. But they are essential steps towards reviving South Africa's negotiating process.

Monday's reshuffle falls short of the African National Congress (ANC) demands for the dismissal from the cabinet of Mr Adriaan Vlok, the police minister, and General Magnus Malan, in charge of defence. However, by demoting Mr Vlok and Mr Malan, and giving cabinet rank to four staunchly reformist members of his party, President de Klerk has made clear that his commitment to ending apartheid is undiminished.

He should now allow full disclosure of the abuse of government funds; introduce independent monitoring of future spending; and, above all, gain control over the security forces, purge officers who have led politically-inspired violence in the townships, and re-assert the rule of law over the police and army. At the same time, the ANC and other leading political parties should be given a greater role in policy making and its implementation. A fully-fledged interim government – advocated by the ANC – is impractical. But greater co-operation is essential if Mr de Klerk is to win the trust so essential for a successful transition to a post-apartheid South Africa.

MUBARAK
Egypt: led Arab forces against Iraq; President Mubarak rewarded with western economic support

RAFSANJANI
Iran: stayed neutral during Gulf war; President Rafsanjani making overtures to west

SADDAM
Iraq: forces ejected from Kuwait but President Saddam Hussein still in power

SHAMIR
Israel: avoided direct involvement in war; Prime Minister Yitzak Shamir still haggling with US over terms for a peace conference

HUSSEIN
Jordan: sided with Iraq during war; King Hussein subsequently mending fences with US and supporting peace moves

JABER
Kuwait: territory liberated and ruling al-Sabah family restored but allegations of human rights abuses and pressure for democracy continue

ARAFAT
Palestinians: PLO supported Iraq; Yasser Arafat frozen out of peace moves

FAHD
Saudi Arabia: invited US intervention in Gulf; King Fahd supports US proposal for peace conference and conditional end to Arab economic boycott of Israel

ASSAD
Syria: fought alongside US against Iraq; President Hafez al-Assad accepted US proposal for Middle East peace conference

Roger Matthews on a year of traumatic readjustment in the Middle East

Managing the spoils of war

If, last August 2, a fortune-teller had forecast the events which ultimately flowed from Iraq's invasion of Kuwait, it would have been assumed by many people in the Arab world that he was wildly prejudiced against them, or on the CIA's payroll, or both.

Twelve months on, there is still widespread difficulty at all levels in the Middle East about coming to terms with how disastrously President Saddam Hussein played the cards he dealt himself, and how greatly strengthened in the region the US, the prime supporter of Israel, has become.

Indeed, so strong is America perceived to be by the Arab nations that Israel might be the only party prepared to rob President Bush of the electoral prize of successfully waging war and peace in the same year.

It is not just the Arabs and Israelis who are suffering the traumas of adjustment. Within the western democracies, the surge of sympathy after the Gulf war for the plight of the Kurds and of the Shia community in the south of Iraq was cited as evidence of American failure to understand the consequences of military action, or to take responsibility for the policies it had initiated.

Western public opinion also had difficulty accepting that despite the huge political and military effort expended to force Iraq's withdrawal, Mr Saddam remains in control in Baghdad and the instinctively authoritarian al-Sabah family has been restored to power in Kuwait.

The human disasters stemming from the war qualified the military victory and became a rallying point for those traditionally disappointed by US successes. But inconveniently for critics of the US, it was the objectives set out in UN Security Council resolutions which were broadly achieved. The perceived failures, such as liberating Iraq from Mr Saddam, were objectives which the US and its allies had not set themselves and which would not have won UN backing.

The realism of American policy in limiting its practical ambitions meant that allied military action was almost bound to leave the Gulf in political turmoil while severely curtailing Mr Saddam's capacity to terrorise other countries. Now an intervention force stationed near the northern border and the threat of air attacks on nuclear facilities help to ensure that Iraq stays approximately in line.

What is so lacking is a coherent view, from Arab or western governments, of the way forward. The regime in Baghdad is almost certainly as resilient as the man who heads it. His eventual replacement need not bring any significant change in the policies of a central government alarmed by regional uprisings.

Without that change, the sanctions policy against Iraq looks set to remain in force, tempered only by humanitarian concerns. For so long as Iraq cannot sell oil in substantial quantities, it will be without a long-term reconstruction programme. It seems likely that there will be an uneasy stand-off among the factions within Iraq, punctuated by violence, while Mr Saddam dreams of another big throw which might restore his battered fortunes.

Elsewhere in the region there can be only marginally greater optimism. Saudi Arabia appears to have accepted the US military action without much difficulty and will now stay firmly under its protective umbrella. Riyadh's difficulties with Iran have eased considerably, although Tehran's effort to play a more constructive role in the Gulf, if genuine, is likely to be frustrated by the same kinds of long-term problem that affect US relations with Hanoi.

The recent American US veto of British commercial aircraft sales to Iran demonstrates how difficult it is for the Bush administration to come to terms with a previously hostile government which, like that of Vietnam, now claims to be more interested in economic growth that than international revolution.

The realism of American policy in limiting its practical ambitions meant that allied military action was almost bound to leave the Gulf in political turmoil

The temptation for Mr Bush must be to sit on his hands and await what he hopes will be positive developments in the Gulf, while gathering political capital elsewhere in the Middle East where the protagonists might be more eager to please. Of course, as the American, Israeli and some Arab governments protested so often during the past 12 months, there was no link between the occupation of Kuwait by Iraq and the occupation of the West Bank, Gaza and the Golan Heights by Israel.

Unthinkable though that concept is, not least because it was Mr Saddam's only fig-leaf, progress towards a peace conference aimed at resolving the Palestinian conflict has accelerated remarkably in the past three months. Mr James Baker, the US secretary of state, is this week expected to visit Israel for the sixth time since Iraq was forced out of Kuwait. His main aim will not be to discuss the Gulf but to set up a conference designed to give Israel the opportunity to negotiate an end to the state of war it has been in for more than four decades, in exchange for the Arab territories it occupied in 1967.

That such a conference is possible is due mainly to a change of mind by Syria, which had been as hostile to Israel as it is to Mr Saddam. President Hafez al-Assad pleased Mr Bush by sending Syrian troops to Saudi Arabia and Kuwait; he pleased him even more by agreeing for the first time to hold direct peace talks with Israel based on UN resolutions 242 and 338. Even Mr Yitzhak Shamir, Israel's premier, was impressed.

Mr Shamir now has an opportunity to demonstrate whether he is as wily as Mr Menachem Begin, his predecessor, who, with American help, manoeuvred President Sadat of Egypt into signing a separate peace which returned land to Cairo but did nothing for the Palestinians. Mr Shamir might just try to pull off the same trick with President Assad, who without the protection of either the Soviet Union or a peace process would feel highly vulnerable.

Even an Israeli government as determined as this one not to cede an inch of the West Bank and Gaza, could find merit in first going to the peace table with Syria. If offered the return of the Golan Heights, albeit under strict conditions of demilitarisation, it is not unthinkable (though still most improbable) that Mr Assad could be tempted to do a deal. If he was, the Israeli dream of neutralising its Arab neighbours without conceding self-determination to the Palestinians would have been realised.

For Mr Assad, no less than Mr Saddam or King Hussein of Jordan, the issues of war, peace or negotiation are ultimately assessed on the degree of probability that they and their governments will survive the outcome. The US military victory in the Gulf, which in turn reinforces Israel's military superiority further north, is the engine driving what is presently called a peace process. As such, there is every danger that it will again address the symptoms but not the most basic issue which made it necessary in the first place: the future of the Palestinians.

Victory in oil market

Opec hawks are quiet, writes **Deborah Hargreaves**

In terms of the politics of oil, as distinct from those of the Middle East, the allies can count the Gulf war something of a success.

Bolstered by US support in the crisis, Saudi Arabia has gained a more dominant hold over the Organisation of Petroleum Exporting Countries (Opec) than at any time in the cartel's history. The result, at least in the short term, is moderate, and steady, oil prices that will help the US economic recovery.

Oil market management has been made easier by the historic rapprochement between Iran and Saudi Arabia – partly a result of Iran's pragmatic stance during the crisis – which has, for the time being, silenced Opec's price hawks.

Mr Daniel Yergin, head of Cambridge Energy Research Associates and author of The Prize, a history of the world oil industry, says: "Two main effects of the Gulf crisis are: first, Iraq is no longer in a position to threaten or dominate world oil supplies; second, the US and the allied coalition have taken on the explicit task of guaranteeing the flow of oil."

The Gulf crisis barely arrested the continuous rise in demand for oil – much of it coming from rapid growth in countries such as Korea, Singapore and Indonesia. Economic recovery in the US and Europe will severely stretch Opec's current capacity of about 23.5m barrels a day (b/d) by the autumn. This is why the oil price is holding steady at about $19 to $20 a barrel for North Sea Brent crude when summer usually dictates a dip in price.

The fact that Opec members need to produce at almost full capacity to make up for the absence of Iraq and Kuwait has at least temporarily removed discord from the oil cartel – and this has made Saudi Arabia's task easier in pushing a moderate price policy. Saudi Arabia and Iran are even stockpiling oil again as they did in the run-up to the Gulf war in anticipation of increasing demand later this year. The call on Opec oil is expected to rise to 24m b/d by the fourth quarter from 22.5m b/d.

This is why a slow return of Iraq and Kuwait to the market could at first be relatively painless for the other producers. Demand will remain on a steeply rising curve at least until 1995, although there could be seasonal disruptions which will push down prices.

The decline in output from the Soviet Union will also prop up oil prices. Soviet oil production, which has fallen in the past three years from 12m b/d to 10.5m b/d, is dropping almost as fast as world demand is rising.

Iraq and Kuwait are unlikely to make much impact on the market this year. Kuwait will not be able to supply much above 100,000 b/d before 1992 because the country's oil industry remains devastated, with at least 400 oil well fires still burning.

Iraq will be constrained by its relationship with other Gulf states and the US. Sanctions against Iraqi oil exports are still in place. If they are partially lifted, most commentators believe Iraq can export about 700,000 b/d through the pipeline that runs across Turkey, although Baghdad has said it can supply up to 1m b/d by the end of the year.

The Gulf crisis was different from preceding oil shocks in 1973-74 and 1979 because Opec acted swiftly to bring idle capacity on stream and avert drastic market disruption. Opec states have ambitious plans to expand output for which they are seeking an estimated $25bn in western investment over the next decade.

Present market stability is fragile; if demand shows a seasonal downturn by this time next year, when Iraq and Kuwait are producing more, production cuts may need to be imposed. But in the longer term, the consensus is that the market will be tight, leaving no spare capacity to absorb potential political upheavals. Unless a significant expansion of capacity is achieved, the outlook is for steadily rising prices over the next five years.

OBSERVER

Return of the native

■ Don't whisper it too loudly, but one of Britain's longest running management buyouts is about to be completed. Hoare Govett, which made history as the first London stockbroker to sell out to a US bank, will soon score another first by buying itself back.

With a job well done Peter Voss, the Security Pacific banker sent by a worried parent to repair the damage after the 1987 market crash, is heading back to California. This should help reduce Hoare's overheads while ensuring it still has a friend at SecPac, which retains a big stake.

Meanwhile well-connected Peter Meinertzhagen, a Hoare veteran and one of the best brokers in London, is charged with re-establishing the firm as a powerful player.

He faces a tough task. Certainly Hoare will have more than enough capital and an enviable corporate client list: it is brokers to both ICI and Hanson. But it lacks the comfort of a fund-management business, its research side with one or two notable exceptions isn't up to much, and it is not a big market-maker.

A merger with another firm – Smith New Court and Kleinworts are obvious names – would make sense. However, it would not mean much of a future for most of Meinertzhagen's loyal staff. While the stock market may be testing its all-time high, the cold realities of the broking world are not far below the surface.

Undercover man

■ Although Edward Hartley-Booth, the Tory barrister selected to fight Mrs Thatcher's Finchley parliamentary seat, is best known for his connections with the British Urban Development consortium, he also had a little known role as Mrs T's dirty digger.

While her public relations advisers made sure she was rarely photographed looking at derelict slums when she sallied into the North's inner cities, someone had to tell her about the problems. This was one of Hartley Booth's jobs when he was in the Cabinet office.

Many social workers in the drugs field, for instance, came to believe that his reports were instrumental in maintaining the UK's double-handed approach to treatment and punishment that has helped contain the UK problem and impede its spread from inner city areas to the suburbs. Mrs Thatcher cannot be unhappy about his surprise victory in the battle for the Finchley nomination.

Larry's turn

■ Larry Goodman has the doubtful distinction of being one of Ireland's most talked about people.

Last year the Irish "Beef Baron" somewhat worried the banking community by revealing that Goodman International, his privately held holding company, was unable to service its debts of I£500m. That little problem seems to have been solved, for the time being at least, with the banks agreeing to a complex bail-out of what is Europe's biggest beef processor.

But non-drinking, non-smoking, quietly spoken Goodman has now got into another spot of bother about the control of Food Industries, the quoted company embracing most of his non-meat interests. The Irish entrepreneur (Goodman started his business career selling offal of the back of a truck) owns 67 per cent of Food and has turned down an I£58m offer for the company from Greencore, formerly the state-run Irish Sugar company.

Alas the rest of the Food

Industries board has voted to recommend acceptance of Greencore's offer. Goodman, well practised in brinkmanship, is said to be holding out for a higher price.

Another twist to the tale is that not so long ago - when the Beef Baron seemed poised to take Europe's agribusiness sector by storm - he was himself behind attempts to gain control of Irish Sugar.

In the meantime, over at Dublin Castle Ireland's legal fraternity is settling in for a judicial inquiry into alleged fraud and malpractice in the Irish meat industry - likely to be the longest such proceeding in the history of the Irish state. The man at the centre of attention? Larry Goodman.

Hunger strike

■ Sweden's politicians have just taken a blow below the belt as a result of their government's moves to reduce direct tax on earnings while tightening up on loan-interest relief and fringe benefits.

A restaurant near the Swedish parliament has banned MPs in a protest against taxes on luncheon vouchers. "You forced 1.2m people to eat from lunch-boxes. You should live by your example", states a sign posted outside by owner Freddie Wieselgren who vows that if he recognises any politicians trying to eat there, he'll throw them out.

Wieselgren says his business has been flagging since January when Premier Ingvar Carlsson's government stiffened limits on luncheon vouchers and other perks to counterbalance income tax concessions which brought the maximum rate down from over 70 per cent to about 50.

"Whereas the voucher was worth two courses of a very good standard, it's now down just to works-canteen level," grumbles Observer's gourmet informant in Stockholm. "And a lunchtime beer on the taxpayer is out of the question."

Gamekeeper

■ It is not often that one of Observer's pals gets appointed to high office. Hence I am proud to say that the Hong Kong government has turned a poacher into a gamekeeper by hiring one of its toughest media critics: John Elliott, the FT's HK correspondent.

He has been given the grand title of "consultant Public Affairs Adviser", and will work on promoting the colony as an international financial and business centre. Presumably – some might say hopefully – he will be given diplomatic training before he starts.

The job, a new one, is a sign that Hong Kong realises it has been losing out in the public relations game. While the government machine is efficient, the limited number of senior staff has meant not enough time has gone into changing the colony's sweat-shop image.

High hopes

■ A newly-launched newsletter hoping to profit from the back office management business, has been given the title B.O.

LETTERS

Employers, not government set training targets

From Mr Robert Jackson MP.

Sir, The argument of your leader on training targets (July 26) – that the government should set them rather than employers – is based upon a fundamental mistake.

You compare training with the education service, and contend that just as the government sets targets for education, so it should also for training. Here you ignore the central fact that in Britain – as in all (western) economies – *training is largely provided* by employers, and not by the government.

Government contributes to the training of young workers (YT and training credits); it *pays for* training for unemployed people (ET); and it contributes, through tax reliefs, to the training costs of employers and (from April 1992) of individuals.

But, extensive as this is – and the government in Britain spends a higher share of GDP on training than elsewhere – all of this only accounts for part of Britain's total training effort. The contribution of employers and individuals makes up the bulk of that effort.

This is why the government by *itself* cannot set targets for training. Targets which are meaningful rather than rhetorical can only be set by those who have the responsibility for meeting them. This is why the government welcomes the CBI initiative on behalf of employers to set training targets.

The government intends to play its full part in meeting these targets. Meanwhile it is important that employers should understand the scope and scale of the training challenge they have set for themselves.

Robert Jackson,
parliamentary undersecretary of state,
Department of Employment,
Caxton House,
Tothill Street, London SW1

Competitive advantages for industrial success

From Dr Grant Ledgerwood.

Sir, A further point needs to be added about the findings quoted by your correspondents (Letters, Mr Owensmith, July 22, and Dr Budworth, July 27). This is the wider aspects of the the important research on technological innovation and international competitiveness carried out in the US in the 1980s. The most successful industrial economies are those with two competitive advantages: the ability to produce *appealing consumer-orientated* product designs; and to make overseas marketing networks grow rapidly into existing market niches.

Good technology is *necessary whether from abroad* or home-grown, but radical technology is *not* the quintessence of industrial export success. Germany and Japan have won for over 40 years by having *wonderful product/package* designers and sales and marketing expertise, wrapped around good – not necessarily advanced – technology.

In order to put the British export industrial system in order, priorities must be in design and marketing of products.

Scientists' and engineers' dominance of a national R&D budget will not benefit industrial export success. Industrial export R&D programmes must be generated by design and marketing business leaders and their associated research and academic centres, with technologists involved but not controlling.

The same mistake is being made in the European Community technology assistance programmes as in the UK: too much emphasis is going into *creating additional technological* excellence, and too little into product design and exporting systems.

Many scientist and engineer colleagues find this an *uncomfortable conclusion*. For instance, which of Britain's technological universities is strongly committed to training engineers and scientists alongside and in tandem with product designers and export marketers? We in the business schools must be more ready to take the lead in restoring British manufacturing competitiveness.

Grant Ledgerwood,
Business School,
Thames Polytechnic,
Woolwich Campus,
Beresford Street, SE18

Two aspects of a monopoly

From Mr Paul Langmaid.

Sir, Your recent headline "C and W chief urges end to phones monopoly" (July 11) confirmed in my mind that the FT has an unhealthy interest in promoting the virtues of Cable and Wireless against the vices of BT, as seen by various writers over the past few years.

As a consumer in a monopoly telephone system run by C and W, I can confirm that Lord Young would be better employed looking at his own company's record on both cost and consumer rights. Never *mind Mr Tony Lane of* the European Commission asking why a call from Bootle to Barcelona costs so much more than a call from Bootle to Birmingham; he should ask why a call from the UK to Anguilla costs far less than a call from Anguilla to UK; indeed BT's charges are often less than half those of C and W.

It would be nice if Lord Young "moved decisively towards eliminating monopolies in telephone services and network infrastructures" where his company enjoys such advantages.

Paul Langmaid,
PO Box 56,
The Valley,
Anguilla,
West Indies

A sense of rough justice from the Inland Revenue

From Mr Patrick Whitten.

Sir, There has been massive – and I believe largely justifiable – coverage of the high-handed treatment of small firms by the banks. But I wonder how many others are, like us, suddenly being harassed by the Inland Revenue.

Our *monthly contribution* is about £12,000. We received the regular notice on July 19. But on the same day, we had a threatening phone call. The Revenue had not received our *cheque! Astonished, a senior* colleague explained that our payment would, as usual, be sent within a week. Today, having signed and despatched the cheque we had another call. *Bailiffs, of all things,* would be dispatched on Monday. This is the institutional bully's way of "sending the boys round". It was all explained to a junior staff member who happened to pick up the call.

Your readers may imagine my fury at this situation. It would be funny if it were not so disgraceful. Government departments *often* take up to a year to pay our invoices. Yet we have paid Revenue and other bills regularly – in bad times as well as good – ever since we began operating 10 *years ago. We are not some* fly-by-night outfit, deep in debt and liable to fold at the first sign of creditors on the doorstep. Yet accountants I know tell of scores of companies that have not paid the Revenue *for* months, years or even at all. If you are among those who do pay, yet still get this treatment, you may become tempted to join the swelling *ranks of those who do not.*

So, we are surprised and dismayed at their behaviour towards us. It is as offensive as it is unnecessary. In the new Citizen's Charter, I hope someone will have the sense to include the Revenue in the legislation. It must be a public service from which we have the right to expect efficiency, courtesy and fair treatment. At *present, it is a by-word for* clumsiness, bad manners and double standards. Rough justice indeed.

Patrick Whitten,
chairman,
CIT Research,
23 Dering Street,
Hanover Square, London W1

Actuaries are not maligned

From Mr Eugene M Smyth.

Sir, Your Lex Column asserts (July 25) that the UK *actuarial profession is* "much maligned". On what basis is this absurd statement founded?

By all means have your journalistic fun about bell-ringing *at the Abbey and changes at* BT. But to describe one man's change of employer as a "shot in the arm" for the profession is risible to a degree.

Please, a retraction on both counts and leave the comedy to Observer.

Eugene M Smyth,
Brewery Farm Stables,
Ansty, Dorset

Less data, less waste?

From Mr Christopher Moorson.

Sir, ICI's defence strategy towards an as yet non-existent takeover bid has already become a farce. Postmen throughout the *UK's financial* community have today struggled to distribute a massive amount of "junk mail".

In an office of 10 Bristol stockbrokers, we have received 13 enormous packages, each costing £1.70 in postage, and containing the publication "ICI World Data". The publication ends with the statement, "ICI can face the future with confidence and contribute significantly to a better world". I wonder if Lord Hanson would agree that creating less waste *would be a good start?*

Christopher Moorson,
Albert E Sharp,
Spectrum,
Bond Street, Bristol

Banking on the British

From Mr R F J Spier.

Sir, I have always deposited my spare cash with British-owned banks and building societies. Can anyone explain why I should compensate depositors of a foreign-owned and domiciled bank through taxes and bank charges?

R F J Spier,
The Barn,
High Street North,
Stewkley,
Bedfordshire LU7 0EZ

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

PERSONAL VIEW

Another way to keep money growth healthy

By Tim Congdon

Money and credit have behaved remarkably in the past few *months*. The growth of the money supply (as measured by the M4 definition, which is dominated by bank and building society deposits) has decelerated very sharply, with the annualised rate of increase in the past six months down to only 6.8 per cent. It seems certain that in 1991 as a whole monetary growth will be in single figures.

This contrasts with the late 1980s, when money growth was usually between 15 and 20 per cent a year. Indeed, it represents a clear departure from the monetary experience of the past 20 years. In the 1970s and 1980s money growth was in double digits almost continuously, and sometimes exceeded 20 per cent a year. If the single-digit money growth in prospect for 1991 were to be repeated in coming years, it would be a new and important trend.

Sustained monetary deceleration to a single-digit rate is essential if Britain is to keep its inflation rate down to European levels in the 1990s and so to make a success of its membership of the exchange rate mechanism. In that sense recent developments are appropriate and encouraging. However, it is possible to have too much of a good thing.

The abrupt monetary deceleration of late 1990 and early 1991 has been one cause, perhaps the key cause, of the severity of the current recession. Although the growth of the money supply has fallen from an annualised rate of 20 per cent in late 1989 to little more than 5 per cent now, inflation has remained high until quite recently. People have tried to hold on to their money balances so that these are in line with the higher value of their incomes and transactions. Money has also been attractive for individuals to hold because of high interest rates and new tax incentives on tax-exempt special savings accounts.

With the aggregate money stock growing only slowly and the personal sector's money holdings still increasing quite strongly, the money balances held by companies have fallen. The slowdown in monetary growth has therefore been accompanied by a harsh squeeze on corporate liquidity, and companies have reacted by cutting back on investment and stocks. These cuts have hit demand, output and jobs. The pattern of economy-wide monetary deceleration coinciding with *liquidity strains in the* corporate sector was also found in the recessions of 1974 and 1980. It demonstrates with striking clarity the connection between changes in monetary growth and fluctuations in economic activity.

The government recognised long ago that it would not be able to reduce inflation without going through a deflationary ordeal of some sort. But it now wants to mitigate the recession. If it accepts that monetary growth and economic activity are related, it should stabilise monetary expansion or perhaps even *boost the rate of money growth* a little. In this context, the reduction in interest rates from 14 per cent in February to 11 per cent today has been sensible, since lower interest rates will stimulate higher credit growth. New loans on one side of banks' balance sheets will create new deposits (that is, money) on the other.

However, there are grounds for scepticism about an early resurgence of credit growth. Banks are at present more short of capital, and so more reluctant to lend, than at similar stages of previous business cycles. The crisis surrounding the Bank of Credit and Commerce International will aggravate this diffidence in lending because it will add another layer of uncertainty to the usual difficulties in assessing the trustworthiness of customers and other banks.

Fortunately, the government does have another method of monetary management *readily* available. If the growth of credit to the private sector continues to fall, it would still be able to stabilise or increase monetary growth by borrowing *more from the banking system* itself. This would be particularly straightforward at present, because it is running a large budget deficit and also has a series of heavy gilt-edged redemptions ahead. By underfunding the public sector borrowing requirement (PSBR), the government could offset the weakness of private credit and keep money growth at a moderately high rate of, say, 8 per cent to 10 per cent a year.

The case for under-funding the PSBR in mid-1991 has the same basic logic as the case for over-funding it in 1988 and 1989. In 1988 and 1989 the government's priority was to combat inflation. Aggressive sales of long-dated government debt were needed, because such sales would have lowered non-banks' money holdings and curbed the economy's inflationary potential. They would also have reduced the undue reliance on high interest rates as the main instrument, the "one golf club", in the government's monetary weaponry.

But circumstances have changed and the priority today is different. If credit growth *slows even further, the* recovery may lack its usual monetary midwife and could be stillborn. Whereas the government's refusal to *over-fund* the PSBR in 1988 and 1989 intensified and prolonged the boom, a refusal to under-fund the PSBR in late 1991 could intensify and prolong the recession.

It should be emphasised, notably to those who suffer from a certain *doctrinal* fussiness in these matters, that the proposal being made here has nothing particular to do with "monetarism", "Keynesianism", "ERM-ism" or whatever. *The underlying ideas are simple* and rooted in standard monetary theory. However, Keynes did make references to funding in the General Theory, including the statement that an offer "by the central bank to buy and sell at stated prices gilt-edged bonds of all maturities, in place of the single bank rate for short-term bills, is the most important practical improvement which can be made in the technique of monetary management". Unlike the British government, with its inexplicable enthusiasm for a "full funding" rule, Keynes favoured variations in funding as a means of influencing macroeconomic outcomes.

The author is managing director of the economic consultants, Lombard Street Research

Robert Mauthner

The EC is found wanting

FOREIGN AFFAIRS

The Community is right to intervene in Yugoslavia. But its efforts so far have been derisory

With Yugoslavia fast sliding into civil war, it is right that the European Community should be *making efforts* to stem the bloodshed and help find a peaceful solution to the country's future. The EC, with which Yugoslavia has trade links and which most Yugoslavs aspire to join one day, appears to be the only body which has the confidence of the majority of the republics to undertake such a task.

Yet the means so far employed by the Community for this purpose have been as derisory as those of the legendary Dutch lad who stuck his finger in the hole in the dike. The decision this week to increase the number of EC peace monitors from 50 to 150 and to extend their *mandate* to cover operations to areas in Croatia, where scores of Croats and Serbs have been killed over the *past few days, can do* little to stem the relentless tide of ethnic conflict.

Neither the EC nor anybody else can impose a solution on the Yugoslav people. But the *EC must clarify its ultimate* political objectives in offering its help; otherwise what is it doing in Yugoslavia at all? Is the aim still to preserve the Yugoslav *federation* as a single *state or are the Community* and the US now prepared to contemplate a break-up of the country and to forge links with its former constituent republics, such as Slovenia and Croa*tia, which have already* declared their independence?

Opinions are clearly divided within the Community, reflecting historical alliances which should have no part in *an objective analysis of the sit*uation in Yugoslavia today. Chancellor Helmut Kohl of Germany and his Christian Democrat supporters appear to be anxious to recognise the *independence of Croatia and* Slovenia here and now, while President François Mitterrand of France continues to support Serbia's insistence on preserving a unified state.

"The era *of great empires in* the Balkans is over," Mr Mitterrand said after his recent meeting with Mr Kohl at which he apparently persuaded the German leader to delay any move to recognise the indepen*dence of Slovenia and Croatia.* But the snide reference to the Austro-Hungarian empire's domination of large parts of the Balkans, not to speak of Germany's support for the Croat nationalist movement during the second world war, was not lost on public opinion.

Even if Mr Mitterrand's suspicions of German empire-building were plausible, they would still not justify the maintenance of the present Yugoslav federation at all costs. What appeared to be a sensible policy only a few months ago has been overtaken by events and has become more and more unrealistic. It was understandable that *other* European countries did not want to see Yugoslavia break up in turmoil. Quite apart from the risk that such a conflict could spread to neighbouring countries, the wave of emigration set off by a civil war in a country *of 24m could* have alarming international implications.

The EC cannot impose a solution. But it must clarify its ultimate political objectives in offering its help, otherwise what is it doing in Yugoslavia at all?

Yet facts have to be faced. With the escalation of ethnic in-fighting from Kosovo to Slo*venia and, even more seri*ously, to Croatia, which harbours a 12 per cent Serbian minority, it is now clear that Yugoslavia cannot be expected to survive in its present form. *That should hardly come as a* surprise when one looks at the country's history. The passionate support given by fans to (federal) Yugoslav football teams cannot be taken as a *demonstration of true* Yugoslav identity. There is no such thing as a real Yugoslav. He or she is either a Serb (36 per cent), a Croat (20 per cent), a Moslem (9 per cent), a Slovene *(8 per cent), an ethnic Alba*nian (8 per cent), a Macedonian, a Montenegrin or a Hungarian. They become Yugoslavs only to outsiders. Though many of them speak the same language, Serbo-*Croat, their separate identities* and cultures have always been the most important factors in their make-up.

The grandiose concept of a union of south Slavs, which emerged from the ruins of the Austro-Hungarian empire in 1918 in the form of a "kingdom of the Serbs, Croats and Slovenes", was flawed from the beginning. It was dominated by Serbia and, within 10 years, gave birth to the extreme Croat nationalist movement, the Ustasha, eventually installed as an independent regime by the Nazis after their occupation and dissolution of the Yugoslav kingdom in 1941.

The creation of a Croat nation state by the occupation forces led to a further serious deterioration in relations between Croats and Serbs, countless thousands of whom were murdered by members of the fascist regime, together with Jews and gypsies. *It* was not until after the liberation of Yugoslavia, *thanks* to the efforts of the Croat partisan leader, Tito, that Yugoslavia became, for some 35 years, any*thing like the unified state* envisaged by its original founders in 1918.

Tito's prescription for the new Yugoslavia was an economically and culturally *decentralised federation of six* republics and two autonomous provinces under a centralised, multinational communist dictatorship. Nationalist ferment was never eliminated, but the *power and personality of Tito,* unconditionally backed by the Communist party and the army, gave him the authority to act as an effective arbiter between the various republics *and ethnic groups. Tito's war*time achievements, his defiance of Stalin, his international standing as one of the leaders of the Non-Aligned Movement and the relative success of his socialist market economic policies gave his regime a legitimacy that has eluded subsequent governments.

It needed a dictator of his stature to keep Yugoslavia together. After Tito's death in 1980, the system of collective *presidencies and need for con*sensus between the regions have deprived the country of firm leadership. The deterioration of the economy has gone hand in hand with a revival of regional unrest. This was provoked in the first place in the ethnic Albanian-dominated province of Kosovo by the greater Serbian ambitions of Mr Slobodan Milosevic, the charismatic, populist Serbian leader, but soon spread to other regions.

The situation is now close to desperate. There is a complete stalemate between Croatia and Slovenia, which want their independence, and Serbia and Montenegro which are fundamentally opposed to anything less than the centralised federal system under the present constitution. *Equally serious is Mr Milosevic's demand that,* if any further decentralisation takes place, internal borders must be changed to bring the Serbian minority in Croatia into a greater Serbia.

No easy solutions exist. It seems clear, however, that while the maintenance of the present federation is unrealistic, *it is not in the best inter*ests of the various republics to *go completely their own way.* Their economic and political relations with the outside world, particularly the EC, would be best served if they continued *to act as a single monetary and trading entity.* This could be done within a looser confederation than the existing system and without fundamentally undermining their political autonomy. Even *some adjustments of internal* borders must not be ruled out if that can be done peacefully – a big 'if' – and lead to greater ethnic peace.

Apart from sending cease-*fire observers and, possibly,* some peace-keeping forces in the longer run, the EC could usefully apply itself to offering expert advice on a future constitution for a loose confedera*tion of southern Slav states.* The future shape of the Balkan region is, after all, of direct interest to a Community which is in the process of forging new relations with eastern Europe.

FINANCIAL TIMES
Wednesday July 31 1991

Employers' survey shows no end in sight for UK economic recession

Output fall shatters recovery hopes

By Peter Norman, Economics Correspondent

UK government hopes for a recovery in the economy were dealt a serious blow yesterday when the Confederation of British Industry, the employers' organisation, reported falling confidence, orders and output in manufacturing industry.

The latest CBI quarterly industrial trends survey showed that hopes that the recession would start to ease had not been fulfilled over the past three months.

"The recession has continued to bite deeper," said Mr David Wigglesworth, chairman of the CBI panel that oversees the survey. "It is too early to speak of recovery." He warned that the recovery could be delayed until next year and that when it came it would be "modest and slow".

He called for an early cut in interest rates of at least 1 percentage point to restore business and consumer confidence. Such a move would reflect industry's progress in bringing inflation under control.

The survey of nearly 1,300 companies, responsible for half of UK manufactured exports and more than 2m employees, showed that more companies were reporting cuts in their output prices than increases for the first time in 24 years.

Mr Wigglesworth forecast that manufacturers would continue to shed jobs at a rate of 6,000-7,000 a week after the survey had shown a greater loss of jobs over the past four months than at any time since October 1981.

His prediction coincided with a warning from the Society of Motor Manufacturers and Traders that the motor trade and industry faces a further 40,000 job losses in the next year.

The CBI's gloomy survey contrasted with recent statements from Mr Norman Lamont, chancellor of the exchequer, who spoke bullishly about the economy in a radio interview on Sunday.

Yesterday Mr John Maples, the economic secretary to the Treasury, admitted that the survey was a "slight setback". It emerged that Mr Lamont had known the key elements of the CBI report on Sunday when he spoke of a "definite increase in optimism" in the economy.

The Treasury said the weakening of optimism shown by the latest survey largely reflected a normal seasonal dip in business confidence between April and July. Hopes of economic recovery had also been artificially boosted in April by the end of the Gulf war.

Officials said monthly CBI surveys of manufacturers' output expectations suggested that the Gulf war euphoria had corrected itself in May. There had been continuing signs of improvement since then, and there was no reason to question the government's forecast of a recovery in the second half of this year.

Other commentators were less sanguine, however. Mr Peter Spencer, UK economist of investment house Shearson Lehman Brothers, said: "Apart from an improvement in unit costs, they are a disappointing set of figures." The sharp falls in orders and deliveries against expectations in April were particularly significant, he said.

The CBI survey reported that orders fell more sharply than at any time since January 1981.

Mr Michael Saunders, an economist at Salomon Brothers International in London, said the recovery would be held back by weak investment spending, high inventory levels and weak personal income as job losses continued. He warned that the service and property sectors, not included in the CBI survey, were likely to recover more slowly than manufacturing because of heavy indebtedness.

The survey had only a limited impact on financial markets. The pound firmed slightly against the dollar, D-Mark and other leading currencies as investors calculated that the government would not be panicked into an early cut in interest rates. Equities in London closed little changed, with the FT-SE 100 index at 2,595.6, up 0.6, after trading above 2,600 for much of the day.

Car jobs threat, Page 8
Lex, Page 14

French doubts curb spending

By George Graham in Paris

Bérégovoy: pessimistic forecast for growth in 1992

THE FRENCH government is expecting only a hesitant recovery in the economy, and is to curb spending next year in line with its pessimistic forecast for growth.

Mr Pierre Bérégovoy, the finance minister, warned yesterday that, after zero growth in the first quarter of this year, the economy might have remained almost flat in the second quarter.

Despite some signs of an upturn, he said it was impossible to predict a growth rate for the whole of this year.

For 1992, however, Mr Bérégovoy said he expected growth close to 2 per cent, much less than the 2.7 per cent growth in gross domestic product forecast recently by the Organisation for Economic Co-operation and Development, the Paris-based grouping of industrialised nations.

The French government has not yet finalised the economic projections on which it will base its budget for 1992, but Mr Bérégovoy's pessimistic forecast implies that tax revenues, whose volume is closely linked to economic growth, could remain depressed next year.

Mr Bérégovoy said yesterday that tax revenues in 1991 were likely to fall FFr35bn-FFr40bn short of the FFr1,497bn ($251bn) originally forecast in the budget for the year.

The minister said this meant that the budget deficit for this year would now exceed the FFr80bn target initially set, although he declined to predict by how much. The government had already taken a series of measures, including a freeze on some FFr26bn of previously programmed spending.

For 1992, the government would aim to keep the deficit close to FFr80bn, he said.

Since President François Mitterrand has promised not to increase the tax burden any further, Mr Bérégovoy said central government taxation would remain stable next year.

This meant that growth in government spending would have to be limited to approximately the rate of inflation, which was expected to be less than 3 per cent next year, and remain flat in volume terms.

Spending on education and research, which remain the government's budget priorities, will rise by nearly 6 per cent.

Spending on industry, justice, housing, urban policy, culture and sports will rise, and employment credits will increase to FFr69bn from FFr65bn this year. Other ministries, especially defence, will see their budgets cut.

US to close another 80 overseas army bases

By Peter Riddell, US Editor, in Washington

THE US intends to shut down or substantially reduce operations at an additional 80 military bases overseas, mainly in Germany. This is a further major stage in a programme which will lead to the abandonment of one-third of the US's 1,600 foreign bases by 1995.

The disclosure comes as Congress is debating President George Bush's recommendation to close 34 domestic military bases and to reduce operations at 48 others by 1997. The timing of the announcement is partly to persuade Congress that the impact of the cuts is not all at home, as many legislators have argued in favour of tilting the balance towards foreign base closings.

The cutbacks are a response both to budget pressures and the end of the Cold War. The Pentagon did not immediately identify the sites affected, though they apparently include large bases, small garrisons and ammunition depots and support sites. Apart from Germany the bases are in the Netherlands, Italy, Spain and Britain.

Last September, the US announced that it would close or reduce operations at 150 facilities throughout the world, including 108 in Germany

The US is cutting its 2m strong armed forces to about 1.6m by the end of 1995 and is proposing to reduce its roughly 300,000 troops in western Europe to 219,000 by the end of this year, and then down to no more than 150,000 by 1995.

Brussels to impose conditions on German car battery merger

By Andrew Hill in Brussels

THE European Commission is today expected to approve the proposed merger between the car battery operations of Germany's Robert Bosch and Varta. Competition hardliners had expected Brussels to block the merger.

However, Sir Leon Brittan, the EC competition commissioner, will impose conditions on the merged group – which would have an annual turnover of DM909m ($511m) – to ensure continued competition in the German market.

The conditions are likely to involve boardroom reshuffles at Varta and some of its competitors, and the ending of licensing agreements with some other battery manufacturers.

Today's announcement, though less controversial than a decision to outlaw the deal, will keep alive the debate about Sir Leon's interpretation of the EC merger control regulation, which is now nearly a year old.

Sir Leon will insist that links are severed between Varta and two smaller competitors, Deta and Mareg. They are part of the empire controlled by the German Quandt family, which controls the BMW vehicle group and 60 per cent of Varta.

The commission is expected to ask that directors shared by the Quandt companies give up some of their boardroom seats, and that a licensing agreement between Varta and the smaller companies is ended.

EC merger officials' concerns about the deal were reduced last month when a Fiat battery subsidiary bought one of the companies' rivals, Accumulatorenfabrik Dr Theodor Sonnenschein, guaranteeing continued intense competition in the German market.

However, it is thought that the German merger authorities, which were refused permission to handle the case themselves in April, would have wanted to block the deal on the grounds that it is likely to give the group a large share of the replacement market for car batteries in Germany.

At the same time, Sir Leon's commission colleagues disputed the principles applied by the merger task force, which decided that the relevant markets in this case were Germany and Spain and not the EC as a whole.

However, the commissioners are unlikely to try to change Sir Leon's decision when they meet this morning. The Brussels competition directorate is preparing a policy paper on its interpretation of the reference market for takeovers in different business sectors.

BCCI winding up delayed

Continued from Page 1

the winding-up petition until December 2 to enable discussions to continue about ways to rescue BCCI.

The Bank had argued that Abu Dhabi's proposals would not give some of the 48,400 sterling depositors as much as they would get under the statutory depositors protection scheme if BCCI were wound up.

The statutory scheme gives depositors 75 per cent of their loss, up to a maximum of £15,000. The Abu Dhabi scheme has a maximum payment of £25,000.

In an affidavit to the court, Mr Brian Quinn, head of banking supervision at the Bank, added: "As a matter of public policy it is important that there should be an early winding up and a full investigation of a company which has been run fraudulently."

In his rejection of an immediate winding up, however, Sir Nicolas said that the Bank was "putting undue stress on the English sterling depositors at the expense of other creditors."

The BCCI problem, Sir Nicolas said, was a worldwide one. There were 1.25m BCCI depositors in all and the court had to consider them and their interests as a whole.

Abu Dhabi has deposited £50m in the London branch of the National Bank of Abu Dhabi, £43m of which will be used by BCCI's provisional liquidators for the benefit of UK sterling depositors.

The money will be paid in the form of loans, and will be recoverable by Abu Dhabi from the UK's depositors protection scheme if BCCI were to be wound-up, or from BCCI itself if it were successfully restructured.

Under the Abu Dhabi plan, BCCI's UK employees will today be paid a total of £1.2m, to cover 14 days' salaries and expenses. Every week Abu Dhabi will pay the liquidators a further week's salaries for employees. If the salary payments stop, Touche Ross will be able to apply to the court to dismiss some or all of the employees.

UK probe launched into Rubin Associates activities

By Norma Cohen in London

A GROUP of investors from New York's ultra-orthodox Jewish community prompted the collapse of David Rubin Associates, the London-based trading company whose owner has vanished leaving behind him losses of at least £60m ($100m).

This emerged yesterday as the Bank of England said it had opened an inquiry into possible illegal deposit-taking activities by the company, and a London-based precious metals dealer said his company faced collapse as a result of his dealings with Mr David Rubin, who headed the company.

The New York investors, from the city's closed ultra-orthodox community, confronted Mr Rubin at his North London office about three weeks ago seeking the return of about $20m.

Having failed to get their money back, the group became convinced he was insolvent and informed other investors in London. While Mr Rubin had been able to meet requests for cash repayments from individuals for several million pounds, New York-based investors were said to have accounted for about a third of his deposits – about £20m.

The day after the confrontation, Mr Rubin admitted to a group of London-based investors that he had lost up to £60m. The funds had been raised from the communities in London, Antwerp, Amsterdam, New York, Zurich, Canada and Israel. Since then, Mr Rubin is said to have left the country.

The story of how Mr Rubin persuaded so many people to entrust him with so much money lies in the nature of the tight-knit ultra-orthodox community where family, piety and personal connections count for far more than a credit rating and funds are loaned freely among family and friends.

While the scandal has been the talk of orthodox congregations for weeks, not one complaint has been filed with any law enforcement body, and neighbours are reluctant to admit to each other that they have lost money.

Investors believed that they were investing in Mr Rubin's trading company, D M Rubin and Associates. He refused investments of less than £250,000, and smaller investors were urged to form consortia to allow them to participate.

While many of Mr Rubin's activities remain vague, one Antwerp-based businessman recalled his activities in Zaire, where the company acted as an intermediary, importing goods such as air conditioners, tyres and perfume into the country.

The office had been run in the early 1980s by Mr Rubin's associate, Mr Eli Elhyani, while Mr Rubin travelled the world arranging deals. Since 1986, the office has been run by Mr Elhyani's brother, Armand.

One early deal involved the purchase and resale of Romanian-made tyres from a London-based diamond dealer. However, the tires proved defective, blowing out after short distances on the road and Mr Rubin's firm refused to make payment for them.

Last night one London-based businessman, who spoke on condition of anonymity, said he had been persuaded to entrust almost all his company's funds to Mr Rubin solely on his reputation.

The businessman, a dealer in precious metals, said he had been approached by Mr Rubin in late spring and asked if he would like to purchase unrefined precious metals through him. The man sent a large sum of money to Mr Rubin's bank account while Mr Rubin signed a contract for delivery of the metals, to be received no later than midnight tonight.

The businessman said that since last week he has been trying to find Mr Rubin or his associate, Mr Elhyani.

"He showed me a brochure describing the trading activities which said he had offices in Zaire, Sierra Leone, South Africa and a few other African countries. But frankly, I never even called his bank. His reputation was enough for me," the businessman said.

THE LEX COLUMN

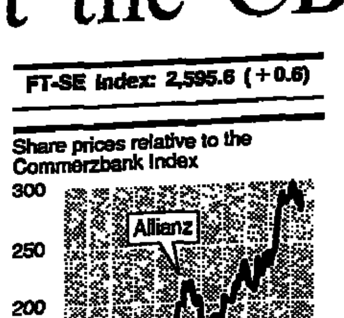
Shades of grey at the CBI

It seems the fate of economic series these days to be buffeted by external events. In its first quarterly survey this year, the Confederation of British Industry caught its members in the depths of despondency just before the outbreak of the Gulf war. Three months later it caught them at the peak of post-war euphoria. The latest survey, unsurprisingly enough, finds them somewhere in between.

Whatever else it does, the survey does not support the view that the economy has actually hit bottom. If so, the central question on whether people are more or less optimistic about their industry than four months ago would find them equally divided. In the event, one eighth of the sample felt better, three eighths felt worse and half felt the same. But on the assumption, as suggested by BZW, that the confidence measure is a good indicator of corporate earnings nine months in advance, the picture remains consistent with a weakish upturn in profitability by the spring of next year. That same weakness is good news for inflation, as indicated by the fact that a narrow majority of firms actually cut their prices in the last four months.

The underlying reality will inevitably be patchy, by region and by industry. Big firms feel better than small ones. Wales feels better than England and Scotland worse. The industrial chemicals sector, which, as ICI has demonstrated, went early into the downturn and may be emerging early, is markedly more cheerful than average. It may be objected to all this that industry was wholly wrong in its expectations three months ago and may be so again. But the history of the survey shows businessmen to be perennially too sanguine; all that happens at the turning point is that the gap between hope and reality gets narrower. The same spirit of hope extends to the CBI, judging by its familiar call yesterday for a full point off interest rates. A glance at sterling and the money markets and it could have saved its breath.

FT-SE Index: 2,595.6 (+0.6)



Source: Datastream

Water companies

The pressure on the water companies is plainly not going away. Yesterday's statement from Ofwat in effect states that, instead of the real growth in dividends of around 4 per cent implicit at their flotation, the companies may be allowed no real growth at all past the mid-decade. Since the working assumption for equities as a class is that real dividends will rise in line with GDP, this plainly raises the question of whether the present yield on the water companies of 7.4 per cent is generous enough compared with 4.8 per cent on the All-Share.

Granted, it is conceded by the regulator that dividends may be raised if financed by increased efficiency in the core business. The pessimist might counter by foreseeing a more distant regime in which even the proceeds of efficiency had to be retained to finance greater efficiency again. It might be asked whether the setting of dividend policy really lies within the regulator's remit; considering how the political tide has turned against privatised monopolies, the prudent investor would do well to assume the worst.

Allianz/Dresdner

There is certainly plenty for shareholders of Allianz, Europe's leading insurance company, to chew on. First of all the heir apparent chucks it for a distinctly less prestigious job running Bosch's operations in North America. Then comes confirmation that the stake in Dresdner Bank – previously thought to be a little over 10 per cent – has now been raised to 23 per cent.

The DM3bn which the investment is thought to have cost is neither here nor there for a group with Allianz's strength. The move can be seen, though, as a further sign that the once close relationship between Allianz and Deutsche Bank is cooling. Allianz had already targeted Dresdner as a new distribution outlet for its products when Deutsche decided to proceed with its own insurance operation in 1989. Now the Munich giant would seem to be demonstrating the depth of its commitment to its northern partner at a time when domestic competition is hotting up at home and there are some daunting challenges elsewhere. Allianz might be keen to raise its stake a little further – just above 25 per cent for a blocking minority – but there seems little prospect of it going any further. The outgoing chief executive, Mr Wolfgang Schieren, has said the company would get into retail banking over his dead body.

The immediate outlook for the share price is inevitably linked to prospects for the German economy, though this year investors have begun to view Allianz as an international insurance business as much as a local investment trust. This may not help the medium term prospects. Although Allianz paid what seemed like fancy prices in the mid 1980s for RAS of Italy and Cornhill of the UK, the timing of these deals was inspired and the industry cycle did the rest. Last year's swoops for Fireman's Fund and DVAG in east Germany were impressively opportunistic moves. But the scale of the task in turning round DVAG was once again illustrated yesterday with the 1990 results, while Fireman's could yet be an expensive gamble. The first increase in the core dividend for five years – boosting the yield from 0.4 to 0.5 per cent for foreign investors – is hardly an encouragement.

Aegis

It is good to find at least one quoted advertising company which is not in the grip of its bankers. A 10 per cent slide in interim pre-tax profits from the media buying specialist Aegis seems a solid enough performance given the state of its industry and the fact that half the damage can be blamed on currency movements. There is no put option on the £72m convertible. And the strategy of getting out of advertising markets in the US and the UK and concentrating attention on the healthier economies of continental Europe appears to be paying off.

The problem for the shares, which have drifted from their 1991 peak of 244p to last night's close of 192p, is a dissident shareholder. The French company Eurocom, which has an 11 per cent stake, can only sell 3 per cent a year without Aegis's permission. Until the situation can be resolved, the shares are bound to find it hard going.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	27	81	Berlin	S	27	81	Caracas	C	29	84	Faro	S	23	73	Islamabad	C	33	91
Algiers	F	31	88	Biarritz	F	23	73	Casablanca	F	22	80	Florence	S	31	88	Istanbul	S	28	82
Amsterdam	S	28	82	Bombay	C	28	82	Chicago	S	16	61	Frankfurt	S	28	82	Jakarta	C	32	90
Athens	S	29	84	Bordeaux	F	21	70	Cologne	S	27	81	Geneva	S	26	79	Jersey	C	19	66
Bahrain	S	36	97	Boulogne	F	19	66	Copenhagen	F	24	75	Gibraltar	S	26	79	Johannesburg	S	16	61
Bangkok	F	34	93	Brussels	S	27	81	Corfu	F	25	77	Glasgow	C	19	66	Lima	C	18	64
Barcelona	S	28	82	Budapest	F	24	75	Dallas	S	19	66	Helsinki	S	26	79	Lisbon	F	22	72
Beirut	S	29	84	Buenos Aires	R	16	61	Dublin	C	17	63	Hong Kong	R	29	84	London	R	19	66
Belfast	S	22	72	Cairo	S	32	90	Dubrovnik	S	24	75	Innsbruck	S	27	81	Los Angeles	C	18	64
Belgrade	C	23	73	Cape Town	S	14	57	Edinburgh	C	18	64	Inverness	F	19	66	Luxembourg	S	26	79

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	24	75	Milan	S	28	82	Nicosia	S	28	82	Salzburg	S	26	79	Tenerife	C	23	73
Madrid	F	24	75	Montreal	C	20	68	Oporto	C	18	64	San Francisco	S	13	55	Tokyo	R	29	84
Majorca	F	29	84	Moscow	S	22	72	Oslo	S	24	75	Seoul	C	27	81	Toronto	C	19	66
Malaga	S	28	82	Munich	S	25	77	Paris	C	17	63	Singapore	S	32	90	Tunis	F	34	93
Malta	S	29	84	Nairobi	C	22	72	Peking	S	29	84	Stockholm	S	26	79	Valencia	S	30	86
Manchester	F	22	72	Naples	S	28	82	Prague	F	25	77	Strasbourg	S	29	84	Venice	S	26	79
Manila	F	27	81	Nassau	C	33	91	Reykjavik	C	13	55	Sydney	S	16	61	Vienna	S	26	79
Melbourne	F	13	55	New Delhi	S	34	93	Rhodes	S	27	81	Taipei	R	34	93	Warsaw	S	23	73
Mexico City	F	24	75	New York	S	21	70	Rio de Janeiro	F	31	88	Tangier	F	23	73	Washington	F	22	72
Miami	R	27	81	Nice	F	25	77	Rome	S	27	81	Tel Aviv	F	29	84	Zurich	S	26	79

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
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INSIDE

Whirlpool boosted by Brazilian operations

Whirlpool, the world's largest maker of home appliances, posted strong second-quarter earnings yesterday, helped by unexpected profits from its Brazilian operations. Net income for the three months ended June 30 jumped 57 per cent to $58m or 83 cents a share on revenues which rose only 4 per cent to $1.77bn. Page 17

TNT warns of loss

TNT, the Australian transport group, yesterday warned of a loss of up to A$187m (US$146m) for the full year after announcing the long-awaited setting up of its global air express joint venture with five post offices in Europe and Canada. Page 18

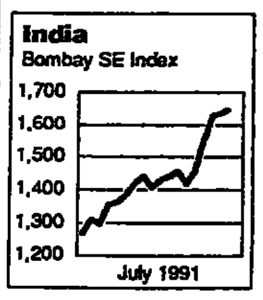
ACM talks to other bidders

Australian Consolidated Minerals, the natural resources group fighting a hostile bid from Western Mining Corporation and Normandy Poseidon, said yesterday it was talking to other potential bidders. Page 18

Possum poison

A seemingly harmless, furry marsupial is putting New Zealand's billion-dollar-a-year beef export industry at risk. The possum – which has increased dramatically in numbers following a ban on trapping – invades grass pasture land bringing bovine tuberculosis to cattle herds. Dai Hayward reports. Page 22

Big boost for Bombay



Last week's surge on the Bombay Stock Exchange confounded analysts. "The market should have collapsed," said one who had expected the publication of a tough budget to adversely affect trading. But traders saw the budget differently. After steeling themselves for strong medicine, attempts by the government to soften the blows came as a welcome surprise. Back Page

Visitors from the past

A tremor from the past has shaken Banco Ambrosiano Veneto, Italy's biggest private-sector bank, after the news that Istituto Opere di Religione – better known as the Vatican bank – is back as a core shareholder. Page 16

Harland Simon profits up 32%

Harland Simon, the UK process control engineering group, yesterday reported profits up 32.5 per cent helped by the integration of two acquisitions during the year. Page 20

YRM pre-tax falls 35%

YRM, the UK building design consultant, suffered a 35 per cent drop in pre-tax profits to £1.99m ($3.3m) in the year to April 30. Page 21

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Bayer Vereinsbk	396.5	+	9.5
DLW	562	+	7
Deutsche Bank	626.8	+	7.1
Douglas	719	+	19
Gerresheimer	429	+	11
Wella Prf	656.1	+	8.1

NEW YORK ($)

Rises			
Boeing	46⅛	+	2½
Delta	73⅝	+	⅛
Merck	128⅝	+	1⅞
Valley Capital	28	+	4
Whirlpool	34⅞	+	2½
Falls			
Hibernia	4⅜	–	¾

PARIS (FFr)

Rises			
Cetelem	730	+	17
Imm de France	1120	+	29
Taittinger	3360	+	79
Falls			
Cogifi	322	–	10.5
Orsan	188	–	6.5
Peugeot	577	–	10

TOKYO (Yen)

Rises			
Banyu Pharm	1240	+	90
Harima Chem's	1700	+	200
Hokuetsu Paper	910	+	64
Kodama Chemical	590	+	42
Shinsho	660	+	55
Falls			
Daiwa Const.	1590	–	100

New York prices as at 12:30.

LONDON (Pence)

Rises			
Barratt Devs	38	+	4
Bass	917	+	13
Bennett & Fntn	28½	+	3
Blick	254	+	20
Canning (W)	138½	+	10½
Hawker Siddly	594	+	12
Medeva	171	+	8
Merc Asset Mgt	825	+	40
Monarch Res	173	+	8
TIP Europe	69	+	8
Trans World	115	+	7
Victoria Cpts	124	+	19
YRM	60	+	14
Falls			
Brent Walker	21½	–	2
Carr's Milling	114	–	9
Crest Nich'son	39	–	10
Harland Simon	515	–	25
Lonrho	249	–	7
Mowlem (J)	219	–	16
Southern Water	318	–	9
Speyhawk	30	–	7
Vickers	200	–	10

Allianz profits decline 9%

Schieren: Allianz is 'entering a period of consolidation'

By Katharine Campbell in Munich

ALLIANZ, Europe's largest insurance company, yesterday announced a 9 per cent fall in annual group pre-tax earnings to DM1.9bn ($1.1bn), despite a 20 per cent rise in total premium income to DM38.3bn. The decline was largely due to storm damage claims amounting to DM765m.

Mr Wolfgang Schieren, chief executive, who was giving his last press conference before retiring to head the supervisory board in October, described the insurance group as "entering a period of consolidation". During the past year, Allianz has taken on heavy commitments in east Germany, as well as buying Fireman's Fund of the US for $3.3bn. The losses in east Germany and the Fireman's result have not been consolidated for 1990.

Allianz yesterday also confirmed that it had secured 23 per cent of Dresdner, Germany's second-largest bank. Allianz said this was part of the group's policy of co-operating with – but not acquiring – banks both domestically and abroad. Mr Schieren cited Allianz's 24 per cent stake in Bayerische Hypotheken und Wechselbank, the Bavarian regional bank. He said both stakes were there to cement existing working relationships and that there was no intention of exercising any influence.

The stakes were being kept below 25 per cent to avoid possible problems with the cartel authorities, he added. The cartel office in Berlin says it can still examine whether a stake of under 25 per cent allows "considerable influence" to be wielded. However, it has not decided whether the Allianz/Dresdner case should be examined.

The cross-selling arrangement that Allianz has forged with several banks last year brought in only DM2bn in sums assured between all the banks. Mr Henning Schulte-Noelle, chief executive of Allianz Leben and appointed to head the group in October, said the group planned to extend its co-operation with Dresdner beyond life products.

Allianz forecasts losses of about DM500m in the current year for Deutsche Versicherung (DV), the east German group in which it has a 51 per cent stake. The Munich insurer plans to inject at least DM330m of new funds into DV this year.

Premium income from east Germany during the first six months of operation to the end of 1990, totalled to DM1.9bn. This is expected to double for the whole of this year.

Mr Uwe Haasen, managing board member with responsibility for east Germany, said it could take as long as eight years to achieve a profit. Allianz has a market share of between 20 and 30 per cent in east Germany.

Allianz is forecasting premium income of about DM48bn for 1991, of which some 48 per cent (compared with 41.9 per cent in 1990) will come from abroad. The US, including Fireman's Fund, is expected to contribute DM8.5bn.

The German insurer said that it had restructured the US investment portfolio of Fireman's to its satisfaction. Mr Schieren would not give a precise earnings forecast for 1991, but noted that 1990 costs had risen faster than turnover. He added that overall claims were higher this year.

Mr Schieren refused to comment on the departure of finance director Mr Friedrich Schiefer, who was due to take over as chief executive in October.

Lex, Page 14

Japanese tyre group slashes forecasts

By Emiko Terazono in Tokyo

BRIDGESTONE, the Japanese tyre maker, yesterday slashed earnings forecasts for the current year due to continuing losses at its US and European operations.

Consolidated pre-tax profits for the year to December, originally projected to rise 10.9 per cent to Y70bn ($506.9m), are now expected to fall 20.7 per cent to Y50bn, while after-tax profits were cut from a 122 per cent increase to Y10bn to an 11 per cent increase to Y5bn.

The problems stem from the impact of the recession in the US car industry on Bridgestone/Firestone, the US subsidiary largely composed of Firestone Tire and Rubber which it bought for $2.6bn three years ago.

Bridgestone also attributed the fall to the recession in the world tyre industry, but said that costs from restructuring its global operations including a staff cut of up to 3,000 jobs in the US and Europe would hurt earnings.

Last month, Bridgestone announced the latest restructuring plans for Bridgestone/Firestone. The US arm lost some Y47.2bn last year, almost wiping out the substantial profits made by the parent company in Japan and cutting the group's consolidated net profit to Y4.5bn.

Bridgestone injected $1.4bn into Bridgestone/Firestone earlier this year to cut by half the US operation's borrowing of about $3bn and to reduce interest payments. The parent company said that the likely rise in retirement payments, weakening car demand, and increased costs as a result of lower tyre production, would wipe out previously expected profits.

Bridgestone yesterday announced non-consolidated results for the first six months ended June 1991. Pre-tax profits for the parent company fell a year-on-year 20 per cent to Y36.7bn on a sharp decline in exports, which fell 18 per cent to Y93.4bn.

Overall sales fell a 1.1 per cent to Y348.2bn, on a 7 per cent rise in domestic sales to Y254.7bn. After-tax profits plunged 22 per cent to Y18.9bn.

Tyre sales, which accounted for 73 per cent of total sales, fell 5 per cent to Y254.6bn, while sales of diversified products rose 11 per cent to a record Y93.6bn.

For the whole year, Bridgestone expects non-consolidated pre-tax profits to fall 14 per cent to Y77bn on a 1 per cent rise in sales to Y730bn.

Pirelli warns on profits, Page 16

Simon London reports on the corporate quest for fresh sources of funding in the UK

Companies seek ways to loosen debts that bind

UK COMPANIES are seeking new sources of funding, hoping to reduce their dependence on the banks by selling debt securities to institutional investors.

Doubts about the willingness or ability of the banks to fund any upturn in the economy, at least on terms which companies find acceptable, underlie this search for new sources of finance.

This week's £55m ($93m) bond issue by Pubco – a joint venture formed by four small brewery companies – emphasises the eagerness of smaller UK companies to tap sources of funding apart from the banks. Even the biggest corporations are finding bank finance more costly than last year.

In the late 1980s, a top-rated corporate borrower might have expected to pay an interest margin of only 0.1 to 0.15 percentage points above the London interbank offered rate for a syndicated loan. Today, the company would have to pay a margin two to three times higher.

July has seen a flurry of sterling bond issues. British Steel, Associated British Ports, Rolls Royce, AMP (owner of Pearl Assurance), and TSB raised £600m in total. Others finding funding in the bond markets this year include British Land, MEPC, Severn Trent, Burmah Castrol, Sainsbury, Sears, British Aerospace and Guinness.

A common factor is the desire to reduce dependence on banks. Many of the borrowers said that the proceeds of the bond issue would pay off short-term loans from banks.

Banks will remain an important source of short-term credit, but company finance directors are keen to leave bank credit lines for occasions when cash is needed quickly.

There are strict limitations to the type of company which can tap the bond market.

Most investment institutions are only keen to buy bonds which are part of an issue big enough to remain liquid in the secondary market. Companies with funding requirements of less than £50m find it impossible to launch a public bond issue.

The second-tier companies have most to fear from any limitation in the availability of bank credit.

Institutional investors will buy bonds as part of a private placement amounting to £10m or less. These securities are not tradeable. The investor demands a higher rate of interest as compensation: an "illiquidity premium".

Private placements are attractive compared to bank borrowing, though they cost more than a public bond issue. Crucially, a long-dated bond issue provides the company with certainty about the availability and cost of funds in future years. In sharp contrast, no bank will provide committed funding for 20 years at a fixed rate of interest.

The £55m Pubco bond issue represents an innovative attempt to cut the cost of non-bank borrowing for companies outside the big league, giving them cheaper access to institutional funding.

Kleinwort Benson, which had the idea, estimated that the four companies are saving between 0.2 per cent and 0.5 per cent compared with the costs of four separate private placements.

Pubco is also open-ended: more bonds can be issued via the joint venture and more companies can join the group with the consent of the existing partners.

An earlier transaction for a group of five investment trust companies raised £55m. The technique may be extended to other areas where a group of companies with broadly similar credit quality and financing requirements can be gathered together.

The Pubco and Trustco bond issues were secured. Kleinwort Benson explained that this fact reflects the preferences of institutional investors. The property and utility sectors may be fertile ground as the companies have heavy asset portfolios.

That may not be a limitation to the joint venture approach. Kleinwort Benson sees no reason why an unsecured bond issue should not succeed.

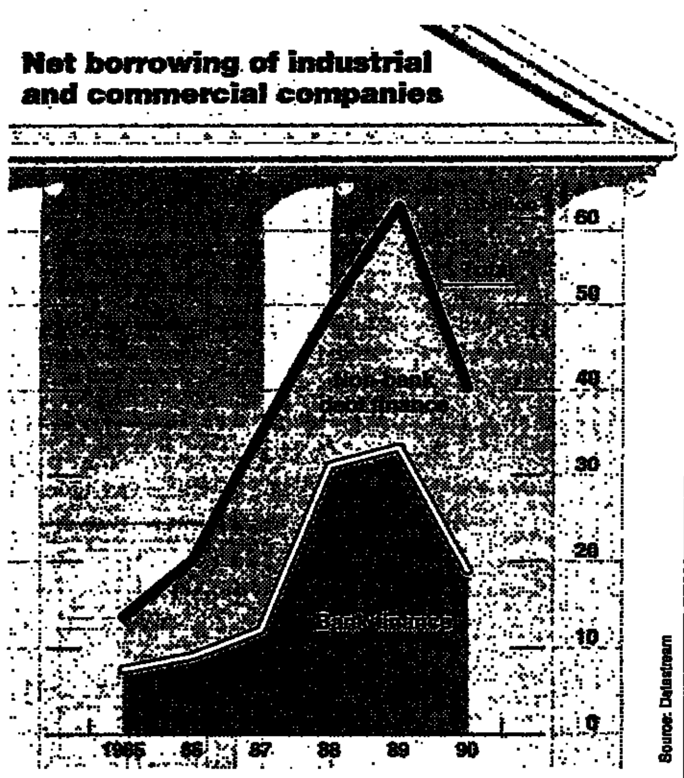
From the investor's point of view, the beauty of the system is that the bonds are tradeable.

Moreover, credit risk is spread between all the partners in the joint venture company. Yet each borrower's liability remains no greater than its portion of the total issue, because there is no joint guarantee. Demand for borrowing remains subdued in most industrial sectors. As the economy starts to recover, however, companies will be seeking to raise additional finance for investment, or to take advantage of depressed asset prices by making acquisitions.

In the longer term, analysts are optimistic that UK investment institutions will become a more fertile source of debt finance for companies. Sterling's membership of the European monetary system should bring UK inflation to the levels of the low-inflation European economies. That would remove the single biggest barrier to the development of a bond market for UK companies: the concentration of UK institutional investors on equity investment.

Only time will tell whether the ERM can change the habits of institutional investors. For many companies, a shift toward bonds cannot come too soon.

Net borrowing of industrial and commercial companies



Source: Datastream

Leading US steel makers post second-quarter losses

By Martin Dickson in New York

TWO large US steel manufacturers, USX-US Steel and LTV, yesterday reported second-quarter operating losses as recession cut North American demand and depressed product prices.

Mr Charles Corry, chairman of USX, the leading US steel producer, said that while there were some recent indications that the economy was turning around, recovery in key steel markets was expected to be slow.

However, USX's order book was improving and this, coupled with changes in plant operations, should produce better cost efficiencies than in the first half.

USX, which earlier this year divided its shares into two separate components, representing its steel and energy interests, reported a second-quarter net loss of $39m, or 79 cents a share, from its USX-US Steel group, on sales of $1.2bn.

This compared with net income of $84m, or $1.62 a share, on sales of $1.6bn in the same period of last year.

The steel business had an operating loss of $86m, compared with income of $80m last year, producing a loss per ton of around $41.

Weak orders from the automobile, building and white goods industries have been hitting all the major US steel manufacturers, although orders have generally improved from the extremely depressed first quarter of the year, when the Gulf war helped hold back demand.

USX, which ran its steel plants at 59.4 per cent capacity during the second quarter, said its prices for construction and flat rolled steels (used by car and appliance manufacturers) had fallen while tubular prices has risen a little.

The industry is hoping to push through a 4 per cent price rise on high volume flat rolled steel in late September, but analysts are sceptical that this will stick.

Marathon, USX's energy division, reported second-quarter net income of $64m, or 25 cents, on sales of $3.5bn, against income of $128m, or 49 cents, in 1990 on sales of $3.1bn.

LTV, which has been operating under the protection of the bankruptcy courts since 1986, reported second-quarter net income of $13.4m on sales of $1.56bn, compared with income of $76.6m and sales of $1.59bn in the same period of last year.

Its steel operations recorded an operating loss of $23.4m on sales of $883m, against a profit of $38.8m on $1.02bn sales, while its aerospace and defence business turned an operating loss of $5.4m, on sales of $495m, into a profit of $37.4m, on sales of $603m.

Gulf war takes toll on Aegis

By Alice Rawsthorn in London

THE IMPACT of the Gulf war on the European advertising market contributed to a fall in pre-tax profits from £34.5m ($57.8m) to £31.2m for Aegis, the media buying group, in the first half of this year.

Aegis also confirmed plans to list its shares in Paris in late September. The group, with substantial French interests through Carat, its Paris-based media buying network, has appointed Crédit Commercial de France as its adviser and Baco-Allain-Farra as sponsoring broker.

Mr Peter Scott, chairman, said the listing was intended to enable French institutions to invest in the group. Aegis has not yet decided whether the listing will involve issuing new shares. Mr Scott said, however, that if so, the issue would be "fairly small".

Aegis, like other European marketing groups, was affected by the Gulf war earlier this year.

During the first quarter advertising expenditure in the five main markets – which provide 80 per cent of group turnover – fell 7 per cent in real terms compared with the previous year.

Fully diluted earnings per share fell to 11.77p (12.88p) in the half year. The interim dividend, however, is being held at 2.75p. Aegis' shares, which had risen on Monday ahead of the announcement, rose 3p to 192p yesterday.

Turnover rose to £978.9m from £764.6m mainly because of the contribution from acquisitions. Mr Scott said the existing businesses showed underlying growth of just 6 per cent. Operating profits fell to £33.3m (£37m).

Mr Scott said most European advertising markets had recovered in the second quarter, although expenditure in France, the UK and Scandinavia was still lower than originally expected.

The group's profitability was also affected by changes in exchange rates and in the business mix – reflecting the disposal of Aegis' high margin public relations interests and the purchase of lower-margin media buying businesses in Scandinavia and the Netherlands.

Aegis pressed ahead with its expansion during the first half by opening an office in Vienna and appointing representatives in Prague, Budapest and Warsaw.

It also took full control of TMD, the UK media buying business, and increased its investment in Carat Espana.

Lex, Page 14

Puma returns to black on positive performance

By Andrew Fisher in Frankfurt

PUMA, the German sports shoe company which suffered badly in the competitive US market, said yesterday it continued to make profits this year after a positive first-quarter performance.

Net profits totalled DM8.6m ($4.9m) in the first half of 1991 against a loss of DM4.4m in the same period last year. Turnover was 22 per cent higher at DM319m – though this partly reflected the purchase of Puma's Australian licensee. Excluding this, the increase was 16 per cent.

The return to the black follows the resolution of supply problems in the Far East. Puma, owned by Aritmos of Sweden, had hoped to make a profit last year, but was prevented from doing so by the organisational difficulties of shifting production to low-cost Indonesia and a fire in the Philippines factory.

Despite a 5.4 per cent turnover rise to DM548m in 1990, Puma made a loss of DM8.9m against one of DM2.6m the previous year.

Its troubles began when it moved into the red in 1986 – the year in which it sold preference shares to the public – as a result of the success of rival shoe manufacturers such as Reebok and Nike in the US market. Puma has since concentrated on improving its management structure, marketing and distribution, as well as brightening its products.

Its US presence is limited. Turnover there was less than $50m last year against $300m before its transatlantic problems.

VEV to sell subsidiary

By George Graham in Paris

MR PIERRE Barberis, who last week took over the failing VEV textiles group in partnership with a consortium of creditor banks, has reached agreement to sell one of the group's subsidiaries in a bid to reduce its debt burden.

Rothschild et Cie, the Paris branch of the Rothschild banking group, has agreed to buy VEV's 50.1 per cent stake in Gravograph, a mechanical printing business, for FFr375.8m ($63.6m), through its associated investment companies Francarep and Euris. The same price of FFr195 a share will be offered to the remaining minority shareholders, valuing Gravograph at FFr750m. Rothschild will then seek to organise an employee buy-out and to sell on its entire holding in Gravograph.

The two-stage operation appears to be dictated by Mr Barberis's urgent need to make asset disposals in order to get VEV back off the ground.

Oyston quits Trans World

By Ian Hamilton Fazey

MR OWEN OYSTON, the flamboyant Lancashire entrepreneur, resigned yesterday as chairman and chief executive of Trans World Communications, owner of the local independent radio stations in Manchester, Leeds, Preston and Cardiff. He faced certain defeat by a majority of disaffected shareholders within a month had he carried on.

Mr Harry Roche, chairman of The Guardian and Manchester Evening News, took over as acting chairman and said an immediate search would begin for a chief executive, which would be a separate post from chairman.

Trans World Communications lost £1.4m ($2.24m) last year after profits of nearly £4m in 1989.

PTH warns of lower first-half profits

By Haig Simonian in Milan

PIRELLI Tyre Holding (PTH), the Dutch-based holding company for the tyre activities of Italy's Pirelli group, has warned of a further decline in margins this year, despite severe cost-cutting measures over the past 12 months.

As a result, profits in the first half of this year, due in September, will be below those for the second half of 1990, when PTH lost around Fl 49m ($25.7m). Based on current forecasts, full-year earnings will also not match up to PTH's 1990 results, when it reported a loss of Fl 9.3m after minority interests. PTH said it would revise its full-year forecast in September, but warned earnings would also be depressed by provisions for restructuring now underway.

The company, which floated its shares on the Amsterdam stock exchange in July 1989, said money-saving measures announced in 1990 and stepped up this year were producing savings. But, benefits had been limited by competitive pressures, which had eroded prices, particularly for tyres sold as original equipment to European car makers.

Pirelli is locked in a takeover battle for Continental, its German competitor. One of the leading arguments behind its bid has been the need to cut costs and improve both companies' competitiveness. Continental's net profits fell to DM93.4m ($32.2m) last year, although earnings were buoyed by its non-tyre activities. Turnover at PTH fell to Fl 3.05bn in the first half of this year against Fl 3.16bn in the same period last year. Sales were "substantially stable", in volume terms.

● FIAT Ferroviaria, the railway equipment subsidiary of Italy's Fiat group, and GEC-Alsthom, the Anglo-French engineering group, have signed an agreement to collaborate on railway equipment.

The deal, which is relevant given Italy' current plan to develop a L27,500bn ($12.54bn) high-speed train network, covers technical, industrial and commercial co-operation.

Face from the past haunts Ambroveneto

IOR is back as a core shareholder of the private-sector bank, writes **Haig Simonian**

A TREMOR from the past has shaken Banco Ambrosiano Veneto (Ambroveneto), Italy's biggest private-sector bank, after the news that Istituto Opere di Religione (IOR), better known as the Vatican bank, is back as a core shareholder.

Few Italians need reminding that the IOR, then headed by Cardinal Paul Marcinkus, was intertwined in the 1982 collapse of Banco Ambrosiano – Ambroveneto's predecessor. Nor has it slipped many minds that the mysterious demise of Mr Roberto Calvi, Ambrosiano's renegade chairman who was found hanging under London's Blackfriar's Bridge, has never been solved.

The IOR's return to Ambroveneto's affairs follows a shake-up in the six-member syndicate, which controls around 60 per cent of its shares. As a result, Ambroveneto, which has recovered to become one of the most profitable banks in Italy, may have become more vulnerable to a takeover.

Net profits at the bank rose by 19 per cent to L170bn ($129.8m) last year, buoyed by its purchase of the smaller Banca Cattolica del Veneto. The profits boost and amicable conclusion of the merger have confirmed Ambroveneto's reputation as one of the best run financial institutions in Italy.

The news that IOR owns 2.29 per cent of Ambroveneto came after last month's surprise decision by Generali, Italy's biggest insurer, to pull out of the shareholding syndicate it had clamoured to join 18 months before.

Generali became a core shareholder of Ambroveneto with France's Crédit Agricole

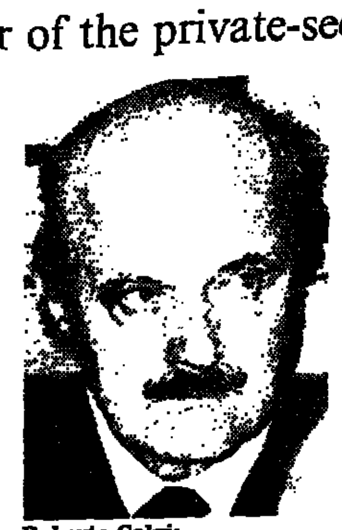
Paul Marcinkus: former head of IOR

in late 1989 after another member, Banca Popolare di Milano (BPM), decided to sell its 13 per cent stake.

BPM's shares were split between Generali and Crédit Agricole, both of which also agreed to the syndicate's rule that they raise their holdings to 10 to 12 per cent within 12 months. In January, the deadline was extended by six months at Generali's request. Crédit Agricole reached the 10 to 12 per cent level, but Generali did not go above 5.3 per cent, prompting its decision to pull out of the pact.

Generali's move put the focus on other syndicate members, notably the smaller participants. None more so than Banca San Paolo di Brescia, a regional bank, which also had to raise its Ambroveneto stake to the required level. Together with Mittel, a small merchant, San Paolo di Brescia's holding was less than 8 per cent.

Early this month it transpired San Paolo di Brescia and Mittel managed to get above



Roberto Calvi: mysterious demise

the 10 per cent barrier, only thanks to a pool agreement with IOR. The deal was orchestrated by Mr Giovanni Bazoli, Ambroveneto's chairman, who also happens to be deputy chairman of the San Paolo di Brescia and chairman of Mittel. Mr Bazoli's arrangement enabled San Paolo di Brescia to meet its commitment under the pact.

But it is by no means certain his behind-the-scenes manoeuvrings will be enough to guarantee the stability of the Ambroveneto syndicate in the longer term.

For a start, one core shareholder, Crediop, already looks shaky. Owned by the Italian Treasury, the company is set to be taken over by Istituto Bancario San Paolo di Torino, the Turin bank which already owns around a third of its shares. Few expect the Torinese to retain Crediop's Ambroveneto holding once they gain full control.

That could leave the field clearer for other members of

Giovanni Bazoli: members may still come in

the syndicate to make a bid. Crédit Agricole and Gemina, the investment and financial services group indirectly controlled by Fiat, are the most obvious candidates.

Gemina's desire to break into banking is no secret. It is widely believed the company tried in 1986 to buy Banca d'America e d'Italia, the former Bank of America subsidiary, and failed after dissuasion from the authorities.

Mr Bazoli pours cold water on suggestions the syndicate may have become looser. Similarly, he sees no signs that either Gemina or Crédit Agricole have their eyes on Ambroveneto. Gemina could be restricted by new anti-trust laws, which put a 15 per cent limit on the stakes industrial companies can hold in banks, while Crédit Agricole seems very happy with the present arrangement, he argues.

Mr Bazoli also denies further shrinkage of the core shareholders' group is inevitable, even though it has contracted continuously since the original seven-bank rescue of Banco Ambrosiano nine years ago.

He says new members could still come in. Surprisingly, that may still be the case with Generali. For although it has pulled out of the syndicate, the giant insurer has still left the door open for Alleanza, its life insurance subsidiary, to take its place.

Alleanza is one of a group of insurers discussing cross-marketing links with Ambroveneto. Should their deal come off, many bankers think Generali will transfer its Ambroveneto stake to Alleanza as a first step to Alleanza joining the shareholders' pact.

Mr Bazoli says the fact that Generali still has a big holding in Ambroveneto will not influence its choice of an insurance partner. A decision is due before the end of the year. However, Generali's indirect presence could give the syndicate a new lease of life.

But although it would probably scupper any long-term takeover plans by Crédit Agricole, it could also revive the once-popular theory that Generali, Ambroveneto and Banca Commerciale Italiana, the big public-sector bank, are still being groomed for a three-way merger to form a huge new Italian financial powerhouse.

That scheme, identified with Mr Enrico Cuccia, the honorary chairman of Mediobanca, the Milan merchant bank which is one of the biggest shareholders in Generali, is still believed to be close to Mr Cuccia's heart.

With so much uncertainty, Mr Bazoli's view that the shareholders' pact "contains many novelties", could hold some truth.

COMPANY NEWS IN BRIEF

DEUTSCHE Bundespost Postbank, the banking arm of Germany's state-owned postal authority, made a loss of around DM300m ($170m) in 1990 after a loss of DM260m in 1989, Reuter reports.

Mr Werner Merkes, a company official, said the 1990 report would be finalised in two weeks. The 1990 loss could be slightly below DM300m.

Postbank's earnings were squeezed by write-offs linked to sharply higher interest rates on the bank's fixed-rate securities holdings, valued at DM16bn. Postbank had to make the provisions because of its switch to industrial style accounting principles.

■ Bayerische Landesbank Girozentrale reported group partial operating profit rose 15 per cent to DM250m in the first half compared with the same 1990 period, Reuter reports. The bank expects overall 1991 group partial operating profit to rise 15 per cent.

Group operating cost was up almost 5 per cent at DM350m mainly due to investments in technical equipment and outlays for branches abroad and in eastern Germany. Interest surplus rose 9.3 per cent to DM524m, while commission surplus increased by some 5 per cent to DM77m.

■ Koninklijke Borsumij Wehry, the Dutch trading company, expects 1991 net profit to fall considerably short of 1990's Fl 36.5m ($18.5m), Reuter reports. The company said it had to scale down its earlier forecast that its 1991 results would at least equal those of the previous year because of unspecified provisions which have to be made. It added that disappointing sales in its sports, shoes and audio-visual units had depressed current year results.

■ Shareholders in Arnoldo Mondadori Editore, the Italian publishing group, have unanimously approved the merger of their company with AME Finanziaria.

The Mondadori group, the focus of a bitter 18-month battle between two leading Italian entrepreneurs that ended in April, will be 60 per cent controlled by Mr Silvio Berlusconi following the merger, Reuter reports.

■ The state-owned Banco di Napoli said it will offer 100m new ordinary shares at a price between L4,000 and L4,500 each to domestic and foreign investors, Reuter reports.

Pan Am creditors object to Delta's offer on assets

By Martin Dickson in New York

THE dismemberment of Pan Am has hit some unexpected turbulence, with certain creditors of the ailing airline objecting to plans to sell parts of the business to Delta Air Lines.

United Airlines, meanwhile, has withdrawn an offer for other routes.

A meeting of Pan Am's unsecured creditors has objected to a $310m bid by Delta for a package of assets including its US east coast shuttle service, its Frankfurt hub and several US-Europe routes. The creditors appear to think the assets might command a higher price.

Their rejection will not necessarily kill the deal, for a final decision on the disposal of Pan Am assets lies with the bankruptcy court, which has scheduled a hearing on August 12 to consider the Delta plan. However, the package would stand a much better chance with the support of creditors. Pan Am has been operating under the protection of the court since the start of the year.

Meanwhile, United Airlines, the second largest US carrier, announced that it had withdrawn its offer for Pan Am's Latin American routes. It refused to elaborate, but there was speculation that it was annoyed that Pan Am management had failed to respond to its proposal.

United initially bid $190m for the Latin American operations, plus some other assets, but was thought to have raised its price to $235m.

Another offer remains on the table from Mr Carl Icahn's Trans World Airlines, which wants to buy Pan Am's assets for $420m and then sell part of them to American Airlines.

However, TWA is itself struggling to reschedule its heavy debt burden and has been in negotiations with creditors recently. One of the court actions involving its creditors was postponed from yesterday until August 9.

Rhône-Poulenc Rorer improves

By Karen Zagor

RHONE-POULENC Rorer, the US pharmaceuticals company in which France's Rhône-Poulenc holds a 68 per cent stake, yesterday turned in strong second-quarter earnings.

The company, which was formed last July when the French state-owned chemicals group took control of the US biotechnology concern for more than $3bn, had second-quarter net income of $68.3m, or 50 cents a share, against $23.8m, or 18 cents, on a pro forma basis in the corresponding period of 1990.

Sales rose 6 per cent to $924.8m from $872.4m a year earlier.

On Wall Street, shares in the company headed towards their 52-week high, adding $1 to $44⅝ at mid-session.

The company, based in Fort Washington, Pennsylvania, said sales growth had been led by its prescription products in the US, plasma products worldwide and over-the-counter products in Germany. It added that it was particularly encouraged by the growth in US sales of Maalox, its over-the-counter antacid, compared with a strong second quarter in 1990.

Income from operations rose to $147m from $87m on a pro forma basis in the 1990 second quarter.

Mr Robert Cawthorn, chairman and chief executive, said the company was "making good headway" in bringing new products to market, as evidenced by the recent US Food and Drug Administration approval of Nasacort, the first once-a-day intranasal steroid for the treatment of allergic rhinitis.

"In spite of the stronger dollar, we are confident in our ability to continue to generate strong growth in earnings," Mr Cawthorn said.

For the first six months, the company recorded net income of $132m, or 89 cents a share, against $31.7m, or 24 cents, a year earlier on a pro forma basis. Sales rose to $1.85bn from $1.67bn.

PWA remains in red for quarter

By Bernard Simon in Toronto

PWA, the holding company for Canadian Airlines International, reported a C$35.7m (US$31m) loss in the second quarter, bringing its deficit for the first half of 1991 to C$99.5m.

The Calgary-based company has warned that it will suffer a large loss for the full year, and it expects no significant upturn in business until 1993.

The poor financial performance of both Canadian Airlines and Air Canada, as well as the rapid rationalisation of the international airline industry, has fuelled speculation that the two carriers will be forced either to merge or to forge closer links with non-Canadian airlines.

PWA's second-quarter loss was C$35.7m, or 75 cents a share, compared with earnings of C$16m, or 51 cents, in the corresponding period of 1990. Last year's figure included a C$22m after-tax gain from aircraft sales.

The results of Canadian's commuter-airline subsidiary are included this year, helping to lift operating revenues by 4.6 per cent to C$701.6m.

However, average passenger loads for the quarter slipped to 60.1 per cent from 64.8 per cent. Yield per passenger mile grew to 17.8 cents from 16 cents.

PWA also announced that it had signed a deal for the sale of three Airbus A-310s and options on two others acquired when the company bought the charter airline Wardair in 1989. Cash proceeds from the sale will be C$150m.

Boeing posts 17% gain on higher sales of aircraft

By Martin Dickson in New York

BOEING, the US aircraft manufacturer, has reported a 17 per cent increase in second-quarter earnings, thanks to increased sales of commercial aircraft and lower losses in its defence and space business.

The results were broadly in line with the expectations of Wall Street. Investors have been warily eyeing aerospace manufacturers for signs of a sharp drop in orders due to the end of the Gulf war, the financial weakness of several US airlines and the general world economic slowdown.

However, Mr Frank Schrontz, the Boeing chairman, said requests by customers to reschedule deliveries continued to affect "a relatively small number of aircraft. To date, no firm orders for jet transports have been cancelled."

Boeing reported earnings of $454m, or $1.32 a share, on sales of $7.8bn, compared with profits of $387m, or $1.12, in the corresponding period of 1990.

Sales were $6.97bn, but the higher aircraft sales were partially offset by increased research and development spending on Boeing's new 777 civilian airliner project.

Mr Schrontz said that Boeing was still expecting an operating loss in 1991 for its defence and space business, but this was expected to be significantly less than the $418m operating loss in 1990.

For the six months, the company reported net earnings of $763m, or $2.22 a share, compared with $689m, or $1.99, in the first half of last year. Sales rose from $13.4bn to $13.9bn.

CT raises loan loss provisions

CT FINANCIAL Services, the holding company for the Canada Trust group, has raised loan loss provisions to C$54m (US$30m) from C$20m, writes Robert Gibbens in Montreal.

First-half net profit was C$111m, or 88 cents a share, down 6 per cent from C$118m, or 95 cents, in the 1990 period.

Whirlpool surprises with 57% advance

By Karen Zagor in New York

WHIRLPOOL, the world's largest maker of home appliances, yesterday posted better-than-expected second-quarter earnings, helped by unexpected profits from its Brazilian operations.

Net income for the three months ended June 30 jumped 57 per cent to $58m, or 83 cents a share. Revenues rose only 4 per cent to $1.77bn. In the year-earlier period, Whirlpool recorded net income of $37m, or 54 cents, on revenues of $1.71bn.

Wall Street had estimated earnings of 40 to 50 cents a share, and at mid-day yesterday Whirlpool's stock was up $2⅜ at $35 in active trading.

The company today is expected to complete its acquisition of the remaining 47 per cent of its European white goods joint venture with Philips, the Dutch electronics group. Whirlpool said its second-quarter results were not affected by its planned acquisition.

The biggest surprise in the quarter came from Whirlpool's Brazilian affiliates, which contributed earnings of 13 cents a share instead of depleting Whirlpool's profits. In the 1990 second quarter, the Brazilian operations suffered a net loss of 11 cents a share.

Mr David Whitwam, chairman and chief executive, said Whirlpool remained cautious about the Brazilian affiliates' performance, adding that the country's short-term economic future "remains uncertain".

Whirlpool also benefited from a lower tax rate in the quarter. Earnings before taxes and other items slipped to $78m from $79m in the 1990 period.

Mr Russell Leavitt, an analyst at Salomon Brothers, said the company was benefiting from cost reductions, and its performance in North America was better than expected. Mr Leavitt has increased his 1991 earnings estimate to $2.50 a share from $2.10 a share.

Whirlpool conceded that its shipments declined in the quarter, but said the decline was below the industry average of 6 per cent.

In the first six months, Whirlpool's net income rose 24 per cent to $82m, or $1.18 a share, from $66m, or 96 cents. Revenues were $3.39bn, against $3.34bn.

Kemper moves into black despite bond write-downs

By Barbara Durr in Chicago

KEMPER, the large Chicago-based insurance and financial services group, reported second-quarter net income of $53.1m, or $1.10 a share, up from a net loss of $111.2m, or $2.28, in the 1990 period.

The group's earnings in its life insurance segment were badly affected in the first half by junk bond write-downs. However, Mr Joseph Luecke, Kemper's chairman, said these problems had been more than offset by improved earnings in its investment services, reinsurance and property-casualty insurance businesses.

The 1990 second-quarter loss included a $126.7m after-tax charge for restructuring Kemper's brokerage services and a $19.5m settlement of an arbitration panel award. Without those charges, the year-ago quarter net income was $35m, or 71 cents a share.

For the 1991 second quarter, revenues rose to $769.9m from $752.8m last year, led by a $30m increase in insurance premiums and a $13m rise in net investment income.

Total net income for the first six months was $104.6m, or $2.18 a share, compared with a loss of $72.3m, or $1.48, in the year-earlier period. Excluding the restructuring charges and arbitration award, net income in the first half of 1990 was $73.9m, or $1.51 a share.

Kemper's two life insurance subsidiaries continue to face difficulties, with Moody's last week downgrading their credit paying rating from "excellent" to "good". The company responded by formally committing $1.8m in capital against losses. Moody's cited troubled real estate investments as the reason for the ratings change.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 31.07.91: Pool purchase price £/MWh	Final Prices for Trading on 08.07.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.84	16.82	15.82
0100	15.51	15.82	15.82
0130	15.51	15.82	15.82
0200	15.51	15.82	15.82
0230	15.51	15.82	15.82
0300	15.51	15.82	15.82
0330	15.51	15.82	15.82
0400	15.51	15.82	15.82
0430	15.51	15.82	15.82
0500	15.51	15.82	15.82
0530	15.49	15.95	15.95
0600	15.51	15.95	15.95
0630	15.82	15.95	15.85
0700	20.51	16.30	16.30
0730	20.51	18.58	20.34
0800	17.20	20.96	22.84
0830	18.32	21.29	23.19
0900	18.32	21.86	23.91
0930	21.15	22.40	24.54
1000	22.34	22.59	24.77
1030	22.34	22.81	25.02
1100	20.94	23.20	25.50
1130	20.94	24.40	26.97
1200	22.34	26.01	27.70
1230	22.34	24.83	27.22
1300	22.34	23.35	25.85
1330	20.94	22.07	24.12
1400	20.94	21.80	23.54
1430	20.94	21.42	23.31
1500	20.94	21.41	23.30
1530	20.94	21.46	23.37
1600	20.94	21.91	23.94
1630	20.94	22.85	24.86
1700	20.94	22.91	25.16
1730	20.94	22.31	24.41
1800	18.32	21.43	23.35
1830	18.32	20.91	22.72
1900	17.42	18.89	20.46
1930	17.42	18.89	20.46
2000	17.42	18.56	20.33
2030	15.90	19.43	21.21
2100	15.90	19.50	21.29
2130	17.42	19.52	21.28
2200	17.42	19.52	21.26
2230	17.42	19.52	21.28
2300	17.42	19.50	21.21
2330	17.42	19.43	21.19
2400	17.42	16.30	16.30

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

ACM in talks on possible counterbid to WMC offer

By **Kenneth Gooding**, Mining Correspondent

AUSTRALIAN Consolidated Minerals, the natural resources group fighting a hostile A$210m (US$162.7m) cash bid from Western Mining Corporation and Normandy Poseidon, said yesterday it was talking to other potential bidders, and urged shareholders not to sell their shares pending the outcome of these discussions.

ACM also made clear that shareholders would be able to vote on its proposed A$80m deal for Outokumpu, the state-owned Finnish group, to acquire half the world-class Mt Keith nickel project.

WMC and Normandy have *set up a jointly-owned company*, Replendid, to make the 90-cents-a-share offer for ACM. If successful, WMC would take the Mt Keith project while Normandy would acquire the other assets. WMC said that ACM initiated discussions in May, requesting that WMC consider a full takeover. Subsequently, ACM had negotiated with other companies, including Normandy and WMC, about the sale of the Mt Keith project, the Golden Grove joint venture and other assets.

ACM said these discussions were triggered because its main shareholder, AFP, a Monaco-based group, advised it that it wanted to sell its 37 per cent stake.

Analysts suggested yesterday that, with the ACM share *price at 97 cents, the WMC*-Normandy offer was a "non-starter", particularly as it depended on 90 per cent acceptances.

Mr Geoff Campbell, analyst at Ord Minnett, part of the Westpac banking group, said ACM shareholders should seize the Outokumpu deal with both hands. "It offers more for Mt Keith than we assess it is worth. ACM gets cash now and and is relieved of the risk that developing a big project involves. Yet, if the nickel price goes sky high, it can have some part of that.

"If the Outokumpu deal goes through, ACM is an even more attractive takeover target – a bidder would get cash and the other assets. Western Mining would drop out if it could not *get all of Mt Keith* but Normandy would probably continue on its own and there are others who are interested," he said.

TNT surprises with warning of A$187m loss for 12 months

By **Mark Westfield** in Sydney

TNT, the Australian transport group, yesterday warned of a loss of up to A$187m for the full yearafter announcing the long-awaited setting up ofits worldwide *air express* joint venture with five post offices in Europe and Canada.

In a statement attached to the joint venture announcement, TNT said it expected to declare an equity *consolidated* loss after tax of A$62m (US$48m) for the final quarter of the year to June 30 to add to the A$96.5m loss of the first three quarters. It also forecast *a write-off of* A$28.5m on its interests in America West Airlines, which has filed for protection from its creditors.

Australian brokers' analysts had expected TNT to break even at worst for the year ended June 30. The surprise loss was tempered by the confirmation of the joint venture, which promises to deliver significant additional earnings to TNT from 1992 onwards.

TNT *shares* closed up 2 cents yesterday at 85 cents on heavy turnover of 4.48m shares.

TNT's write-down of its America West investment will put pressure on its partner, News Corporation, to do the same. The two groups own 50 per cent each of Australian domestic carrier Ansett Airlines, which has 20 per cent of America West.

TNT said it would release more details of its losses in its final statement on August 29.

Mr Fred Millar, group chairman, said in January that he expected TNT to at least match its A$189.88m profit after tax and abnormal items in 1990.

The group's bearish expectation for the full year was overshadowed on Tuesday by confirmation of the joint venture agreement between TNT and the German, Dutch, French, Swedish and Canadian post offices.

TNT said yesterday it would put its global air express business, which has the largest air freight operation in Europe, plus a substantial North American network, into the joint venture.

The partnership will become fully operational on January 1 next year. TNT said the eventual impact of the deal on its balance sheet would be to remove A$918m of TNT's total debt of A$2.2bn.

TNT expects to earn profits from the venture in the last quarter of the year to next June 30.

Mr Millar said yesterday that at June 30 this year TNT had available *liquidity* of A$652m, which would enable the group to repay debt obligations of A$598m by next June.

Fall in world consumption hits Highveld Steel profit

By **Philip Gawith** in Johannesburg

HIGHVELD Steel and Vanadium, an Anglo American subsidiary, suffered from a decline in world and domestic steel consumption to record a sharp fall in profits in the six months to end-June.

Turnover dropped by 5 per cent to R648.2m ($225.8m), while attributable profit fell 43 per cent to R47.18m from R82.5m.

Mr Leslie Boyd, chairman, said the weak domestic outlook, the result of a substantial decline in consumption owing to a lack of new industrial projects and cutbacks in the min*ing industry, had been aggra*vated by excessive inventory build-up in the merchant trade.

Although volumes held up in the international market, lower demand, increased competition and the stronger dollar had put prices under pressure.

World vanadium *consump*tion dropped in line with the 4 per cent reduction in world crude steel production. Oversupply had also driven free market prices to low levels. Mr Boyd said Highveld would be spending R10m on modifying its Vantra division to enable up to 20 per cent of the group's vanadium slag output to be converted to vanadium pentoxide in South Africa.

On the ferro-alloys side, weak prices for manganese alloys resulted in Transalloys operating its silicomanganese furnaces at about 70 per cent of capacity. Low ferrosilicon prices, the result of low-priced exports from China, the Soviet Union and eastern Europe, had caused Rand Carbide to shut down one of their three ferrosilicon furnaces in February.

Mr Boyd said he expected *first-half earnings to be main*tained in the second, with domestic and export markets remaining weak. He was bullish, though, about the impact of US sanctions being lifted, saying that "significant benefits" would eventually flow from this and the strengthening of the US and world economies.

Earnings per share were 43 per cent down to 65.3 cents, compared to the first half of 1990. The dividend was maintained at 30 cents a share.

Australian unit of Alcan stays in deficit

By **Mark Westfield** in Sydney

ALCAN Australia, the 73 per cent owned subsidiary of Alcan Aluminium of Canada, lost A$13.39m (US$10.3m) after tax in the six months to June 30 because of rock-bottom aluminium prices and the cost of dismissing 245 employees.

It struck the loss on 3.3 per cent lower turnover of A$297.2m and a pre-tax loss of A$11.34m.

The poor result, which compares with a loss of A$138,000 for the same period last year, has forced Alcan to scrap its interim dividend for the first time since the recession in 1983. It lost A$13.3m for the 1990 calendar year.

Mr Bob Fox, Alcan's managing director, said the world price for aluminium ingots had dropped below the most pessimistic forecast.

He warned shareholders not to expect a quick turnround in the company's fortunes. Alcan's largest minority shareholder in Australia is the AMP Society which holds 9.7 per cent.

The company believes the aluminium price has bottomed *at US$1,300 a tonne, compared* with US$1,600 in January.

Alcan's New Zealand business, which the group is reviewing, posted its worst ever loss of A$2.9m before tax.

Cadbury Schweppes SA records strong first half

By **Philip Gawith** in Johannesburg

THE South African subsidiary of Cadbury Schweppes, the UK-based confectionery group, overcame difficult trading conditions to record *significantly* improved profits in the interim trading period to mid-June.

Turnover rose by 9.6 per cent to R239.9m ($83.6m), while operating profit was 20.2 per cent higher at R21.8m and attributable profit was up by 33.6 per cent *to R16.7m*.

Mr Peter Bester, managing director, said the lower turnover increase reflected weak trading conditions and intense competition. The improved *profit* performance was the result of a favourable sales mix, better internal efficiencies and rationalisation benefits flowing from the integration of Chapelat-Humphries, the sugar confectionery business taken over in November 1989.

At the divisional level, the group lost market share in the chocolate sector owing to strikes which coincided with a period of intense competition. Good sales and rationalisation benefits at *Chapelat*-Humphries saw it significantly improve profits.

Schweppes and Amalgamated *Beverage Industries*, the soft drink operations, performed well.

Earnings per share were up 33.1 per cent at 47.8 cents; the dividend was lifted by 26.3 per cent to 12 cents a share.

Mr Bester said the second half was unlikely to be as good as the first, but *satisfactory* real growth would be *recorded* for the year as a whole.

SGIC sells its share stake in SA Brewing for A$41m

By **Mark Westfield**

SOUTH Australia's State Government Insurance Commission (SGIC), which is reeling from a potential loss of at least A$245m (US$189.9m) on a Melbourne property development, has sold down its stake in SA Brewing Holdings to raise A$41m.

Mr John Bannon, the state premier, reassured investors at the weekend that the commission was sound following a A$4m run on its *funds* last week.

The SGIC has been caught badly by the collapse of the Melbourne commercial property market. It had entered *into an option agreement* with Westpac Banking to buy an office development in the city for A$520m during the property boom of 1988. Westpac, which financed the construction of the Collins Street building due to house the failed merchant bank Tricontinental Corporation, exercised an option to "put" the development to the SGIC for A$520m. The option was crucial to the funding of the building, which is worth A$275m on best estimates in today's depressed market.

SGIC accepted a fee of A$28m for entering the option agreement with the bank. It now faces a loss nearly nine times that amount.

The deal has caused a political furore in south Australia.

Sustained high demand lifts Sembawang Shipyard

By **Joyce Quek** in Singapore

SEMBAWANG Shipyard, the diversified Singapore-based shipping group, exceeded market expectations with a strong first half and will reward shareholders with an 8 per cent interim dividend.

Group revenue for the six months to June rose 14 per cent to S$239.7m (US$138.5m) as ship repair, the core business, enjoyed sustained high demand which resulted in better margins.

The civil and building construction businesses improved their contribution, but aviation has yet to turn in a profit since its operations started last July.

The group expects an even better second half when the *full-year results of listed* First Capital Corporation, its financial services/property associate which has a different year-end, will boost associates' contributions, which had fallen 40.3 per cent *to S$2.7m. This was offset* by investment income, up 50.2 per cent to S$7.9m, and extraordinary gains from sales of long-term investments, up to S$3.9m from S$1.4m. Attributable profits rose from S$32.1m to S$40.8m.

Sembawang Maritime, another listed associate, lacked major salvage work and saw sales slip 2 per cent to S$56.4m. Group after-tax *profits* rose 19 per cent to S$9.1m thanks to a S$4m tax writeback.

Meanwhile, Singmarine Industries, a Keppel Corporation subsidiary, reported interim profits to June 30 slipping from S$13.7m to S$12.8m. Turnover rose to S$89.3m from S$78.9m but ship repair and other operations slowed down in the first quarter due to the Gulf war.

Singmarine expects an improved second half.

Steamers Maritime, a Keppel associate, said sales leaped 21 per cent to S$23.8m but after-tax profits slid 21 per cent to *S$4m because of higher operat*ing costs and associates' losses. But it expects a better second half.

Bank Bumiputra ahead

By **Lim Siong Hoon** in Kuala Lumpur

BANK Bumiputra, Malaysia's second largest and state-owned group, has reported a 12 per cent rise in pre-tax profit to M$98m (US$) with M$2.2bn in interest income for the year to March. In the previous year, the group *recorded* the same 4.4 per interest margin.

The group is struggling to recover from writing off losses by its stockbroking unit, BBMB Securities.

The losses, which the group attributes to "irregular transactions", severely undercut the M$173m in pre-tax profit made by its commercial banking arm, Bank Bumiputra said. The securities company received an injection of M$90m.

Interest income rose 10 per cent and interest expense 17 per cent to M$1.5bn. However, reduced interest provisioning raised income from M$409m to M$482m, or an interest yield of 22 per cent compared with 20 per cent previously.

Other income, mainly from *service charges and fees*, added M$145m to overall income of M$625.9m against expenditure up 22 per cent at M$527.5m.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. — Latest prices at 6:10 pm on July 30

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101¾	102¼		7.63
ALBERTA PROVINCE 9 3/8 95	600	103¾	104¼		8.27
AUSTRIA 8 1/2 00	400	98⅜	99	-⅛	8.72
BANK OF TOKYO 8 3/8 96	100	99	99⅜		8.62
BELGIUM 9 1/8 92	400	102	102½		7.19
BFCE 7 3/4 97	150	98⅛	98⅝	+⅛	8.16
BNP 8 5/8 94	300	101⅝	102⅛		7.95
BP CAPITAL 9 5/8 93	150	102⅞	103⅜	+⅛	7.59
CANADA 9 96	1000	103½	103⅞	+⅛	8.03
CARCO 9 1/4 96	650	100⅞	101⅛	-⅛	9.18
CCCE 9 1/4 95	300	103⅛	103⅝		8.06
COUNCIL EUROPE 8 96	100	99	99½	+⅛	8.25
CREDIT FONCIER 9 1/2 99	300	104⅛	104⅝		8.69
DENMARK 0 98	250	55⅜	56⅛		8.72
DENMARK 8 1/4 94	150	101⅛	101⅝		7.82
ECSC 8 1/4 96	193	100⅛	100⅝	+⅛	8.17
EEC 7 1/4 93	250	100	100⅜	+⅛	7.21
EIB 7 3/4 96	250	98⅞	99⅜	+⅛	8.03
EIB 9 1/4 97	1000	103¾	103⅞	+⅛	8.52
ELEC DE FRANCE 9 98	200	102½	102⅞	+⅛	8.47
EUROFIMA 9 1/4 96	100	102⅝	103⅛	+⅛	8.52
EXPORT DEV CORP 9 1/2 98	150	104⅜	104⅞	+⅛	8.63
FINLAND 7 7/8 97	200	96⅝	97⅛	+⅛	8.65
FINNISH EXPORT 9 3/8 95	200	103⅛	103⅝	-⅛	8.38
FORD MOTOR CREDIT 9 1/2 93	300	102½	103	-⅛	8.20
GEN ELEC CAPITAL 9 3/8 96	300	103¾	104¼		8.39
GMAC 9 1/8 96	200	100⅝	101⅛	-⅛	8.89
HALIFAX 9 1/2 93	200	102⅞	103⅜		7.79
IBM WORLD TRADE 7 5/8 93	150	99⅞	100⅜	+⅛	7.72
IND BK JAPAN FIN 7 7/8 97	200	96⅛	96⅝	+⅛	8.72
INTER AMER DEV 7 5/8 96	200	97	97½	+⅛	8.36
ITALY 8 1/2 94	1500	101⅞	102		7.80
JAPAN DEV BK 8 94	150	100⅝	101⅛		7.73
KANSAI ELEC PWR 10 96	350	104⅞	105⅜		8.66
LTCB 8 5/8 93	150	101⅛	101⅝	-⅛	7.80
NEW ZEALAND 8 93	100	100½	101		7.69
NIPPON CRED BK 9 3/4 93	150	103⅛	103⅝	-⅛	8.05
NIPPON TEL & TEL 9 3/8 95	200	103⅞	104⅛	-⅛	8.14
NORDIC INV BANK 9 93	200	102½	103	-⅛	7.47
ONTARIO HYDRO 11 5/8 94	200	107⅞	108⅜	-⅛	8.22
OSTER KONTROLLBANK 8 1/8 93	200	101⅛	101⅝	-⅛	7.32
PETRO-CANADA 7 1/4 96	200	95⅜	96⅛	+⅛	8.35
PRUDENTIAL RLTY SECS 0 99	365.216	51⅛	51⅝	-⅛	9.41
QUEBEC HYDRO 9 3/4 98	150	103⅞	104⅜	+⅛	8.98
QUEBEC PROV 9 98	200	100⅝	100⅞	+⅛	8.93
SAINSBURY 9 1/8 96	150	102⅛	102⅝	+⅛	8.59
SAS 10 99	200	100⅝	101⅛	+⅛	9.95
SBAB 9 1/2 95	500	103⅝	104⅛	-⅛	8.30
STATE BK STH AUST 9 1/4 93	100	101⅞	102½	-⅛	7.84
SUMITOMO BK CAP MKT 9 3/8 93	150	102⅞	103⅜		7.99
SWEDEN 8 1/8 94	150	100⅞	101⅜	+⅛	7.77
SWEDISH EXPORT 9 5/8 93	100	103⅛	103½	-⅛	7.39
TOKYO METROPOLIS 8 1/4 96	200	99⅝	100⅛	-⅛	8.29
WORLD BANK 8 3/8 99	1500	99⅜	99⅞	+⅛	8.61
WORLD BANK 8 3/4 97	1500	102⅛	102⅝	+⅛	8.35
XEROX CORPN 8 3/8 96	100	95⅜	97⅛	-⅛	9.57

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	101⅛	102		10.56
BULGARIAN TRADE BK 8 1/2 96	200	80⅜	81⅛	-⅛	14.15
DEUTSCHE BK FIN 5 5/8 96	750	88⅜	88⅞	-⅛	8.56
DEUTSCHE FINANCE 7 1/2 95	1000	97⅜	97⅞	-⅛	8.46
EIB 5 3/4 98	400	85⅜	85⅞		8.67
EIB 6 7/8 95	300	93⅜	93⅞	-⅛	8.66
EUROFIMA 6 1/4 98	400	87⅛	87⅝	-⅛	8.69
FERRO DEL STAT 5 3/8 93	500	95⅛	95⅝	+⅛	9.05
IND BK JAPAN FIN 5 5/8 96	200	87⅛	87⅝		8.89
IND DEV BK INDIA 6 3/8 94	200	86	86	-1¼	11.57
INTER AMER DEV 7 1/4 99	300	90⅜	90⅞	-⅛	8.93
LUFTHANSA INT FIN 5 7/8 98	500	84⅜	84⅞	-⅛	9.01
NAT BK HUNGARY 8 96	200	90	90½		10.55
QUEBEC HYDRO 6 3/4 99	300	87⅛	87⅝		8.99
SWEDEN 6 1/8 98	300	87½	87⅞	-⅛	8.67
VENEZUELA 8 1/4 93	100	95⅛	95⅝		10.52
WORLD BANK 0 15	2000	15⅛	15⅜	-⅛	7.91
WORLD BANK 5 3/4 96	300	88½	88⅞	-⅛	8.87
WORLD BANK 7 1/8 95	500	95⅛	95⅝	-⅛	8.75

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94⅛	95⅛	-⅛	9.35
KREDIETCORP 7 93 LFr	1000	95⅛	96⅛	-⅛	9.40
WORLD BANK 8 96 LFr	1000	96⅛	98½	-1¼	8.99
AMRO BANK 6 1/4 92 Fl	150	96⅜	97⅜		9.80
RABOBANK 5 3/4 93 Fl	150	94½	95⅛		9.61
ALBERTA PROVINCE 10 92 C$	500	100⅜	100⅝		9.55
BCE INC 9 5/8 93 C$	300	99⅛	99⅝		10.14
BELL CANADA 10 5/8 99 C$	150	99	99⅜	+⅛	10.81
BRITISH COLUMBIA 9 1/4 93 C$	150	99⅛	99⅝	+⅛	9.80
EIB 10 1/8 98 C$	130	98⅛	99⅛	-1⅛	10.48
FORD CREDIT CANADA 10 94 C$	100	98⅛	98⅝	+⅛	10.70
GENERAL ELECT CAP 10 1/4 93 C$	175	100½	101		9.95
MONTREAL TRUSTCO 8 1/2 92 C$	100	98⅛	99	-⅛	11.07
ONTARIO HYDRO 10 7/8 99 C$	500	100⅝	100⅞	+⅛	10.75
QUEBEC PROV 10 1/2 98 C$	200	98	98½		10.88
ROYAL TRUSTCO 10 1/4 93 C$	100	99	99½	-⅛	10.84
SWEDEN 9 3/4 93 C$	250	100⅛	100⅝		9.62
BELGIUM 9 1/8 96 Ecu	1250	99⅛	99⅝		9.31
CNT 7 3/8 93 Ecu	250	95⅜	96⅛	-⅛	10.14
CREDIT LYONNAIS 9 96 Ecu	125	96⅞	98⅛	-⅛	9.83
DENMARK 7 5/8 96 Ecu	250	91⅝	92⅛	+⅛	9.94
EEC 7 5/8 94 Ecu	200	96	96½		9.41
EIB 10 97 Ecu	1125	103⅛	103⅝	-⅛	9.08
ITALY 10 3/4 00 Ecu	1000	107⅜	107½	-⅛	9.45
UNITED KINGDOM 9 1/8 01 Ecu	2750	99	99⅛	-⅛	9.27
BMW FINANCE 14 1/2 92 A$	100	101⅞	102⅜	-⅛	11.61
COUNCIL EUROPE 13 93 A$	50	101	102	-⅛	12.14
EKSPORTFINANS 12 3/8 95 A$	75	102⅞	103⅛		11.42
FORD CRED AUST 13 93 A$	50	100	101	-⅛	12.86
ICI 15 1/2 92 A$	100	102⅞	103⅜	-⅛	11.55
MCDONALDS CANADA 15 95 A$	100	108⅝	109⅛	-⅛	12.08
NAT AUSTRALIA BANK 14 3/4 94 A$	150	105⅞	106⅛	-⅛	11.84
STATE BK NSW 14 1/4 99 A$	100	109⅛	109⅝		12.39
VOLKSWAGEN INTL 15 94 A$	100	107	107½		11.77
ABBEY NATL TREAS 13 3/8 95 £	100	106⅛	106⅝		11.30
BARCLAYS JERSEY 9 1/2 93 £	250	97½	98		11.05
BRITISH GAS 12 3/4 95 £	300	105	105⅜		10.91
DEUTSCHE BK FIN 11 94 £	225	100⅝	101		10.63
EIB 10 97 £	386.5	97⅛	97½		10.69
FORD CREDIT FUNDING 9 5/8 93 £	50	96⅝	97⅜		11.78
INTER AMER DEV 11 3/8 95 £	75	102	102⅝		10.68
ITALY 10 1/2 14 £	400	94½	94⅞		11.16
LAND SECS 9 1/2 07 £	200	82⅛	82⅝	+⅛	12.07
LEEDS PERMANENT 9 1/4 93 £	50	96⅝	97⅛		11.27
NORWAY 10 1/2 94 £	200	99⅝	100	+⅛	10.62
ROLLS-ROYCE 9 5/8 93 £	150	96⅞	97⅜		11.51
SAINSBURY 10 7/8 93 £	100	99½	100		11.16
SKANDINAVISKA ENSK 13 1/8 95 £	100	105⅛	105⅝	+1	11.20
WORLD BANK 11 1/4 95 £	100	101⅞	102⅛		10.68
ABBEY NATIONAL 0 96 NZ$	100	58⅜	59⅜		10.82
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	104⅛	105⅛		10.75
AIDC 7 7/8 93 FFr	600	96	96⅜		9.99
CREDIT LYONNAIS 10 95 FFr	3200	100⅞	101⅜		9.70
EURATOM 7 5/8 98 FFr	500	91⅛	92⅛		9.29

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 95	500	100.01	100.11	6.4338
ALLIANCE & LEICS 0.08 94 £	300	99.47	99.57	11.2059
BANCO ROMA 0.03 01	200	92.00	93.00	6.4675
BANCO SANTO SPIRITO 93	200	99.54	99.67	6.5000
BELGIUM 1/16 97 DM	500	99.99	100.09	9.1250
BFCE -0.02 96	350	99.92	100.02	6.1050
BNP 05	300	95.88	96.88	6.3125
BRITANNIA 1/10 96 £	150	99.04	99.24	11.2250
CCCE 06 ECU	200	99.88	99.98	9.9938
CITIZENS FED 0.15 96	100	99.35	99.80	7.0250
COMMERZBK O/S FIN 93	200	100.03	100.13	6.5625
DENMARK -1/8 96	1000	99.62	99.72	6.5938
DRESDNER FINANCE 1/32 98 DM	1000	99.96	100.06	9.2813
ELEC DE FRANCE 1/8 99	400	100.45	100.75	7.0000
FERRO DEL STAT 94	200	100.45	100.70	6.8750
HALIFAX 1/10 94 £	200	99.79	99.89	11.7250
ITALY 00	500	100.78	100.87	6.3750
MITSUI FIN ASIA 1/8 96	100	99.61	99.71	7.0000
MORGAN (JP) 1/4 97	250	98.63	99.13	6.2500
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS [illegible]

* No information available - previous day's price † Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. [illegible]

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. [illegible]

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

Treasuries show little change in light trading

By Patrick Harverson in New York and Sara Webb in London

US BOND prices held steady in light trading yesterday morning in the wake of a mixed batch of economic news.

By midday, the benchmark 30-year Government issue was up 1/8 at 97½, yielding 8.387 per cent. The two-year note was slightly easier, down 1/32 at 100 1/32, to yield 6.84 per cent.

The day's economic data had little impact on the market. The boost to sentiment from news of a small decline in July consumer confidence was balanced by a larger-than-expected rise in domestic new home sales. A 1.2 per cent rise in second-quarter employment costs was in line with forecasts.

The main focus in the market remains today's announcement of the latest refunding requirements, and Friday's July employment report.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	106.0334	-0.506	11.00	11.02	11.16
BELGIUM		10.000	08/00	102.8000	-0.050	9.52	9.46	9.34
CANADA *		9.750	12/01	98.9750	+0.150	9.91	9.96	10.07
DENMARK		9.000	11/00	97.1750	-	9.45	9.37	9.28
FRANCE	BTAN	9.000	02/96	98.4505	+0.071	9.40	9.27	9.24
	OAT	9.500	01/01	101.3900	-0.070	9.25	9.16	9.09
GERMANY		8.375	05/01	97.9100	-0.030	8.69	8.67	8.51
ITALY		12.500	03/01	96.8600	-0.330	13.56	13.35	13.34
JAPAN	No 119	4.800	06/99	89.0618	+0.387	6.95	7.18	7.30
	No 129	6.400	03/00	98.9809	+0.353	6.59	6.72	6.84
NETHERLANDS		8.500	03/01	97.4100	+0.040	8.90	8.89	8.76
SPAIN		11.900	07/96	99.2000	-	12.10	12.17	12.00
UK GILTS		10.000	11/96	99-01	+0/32	10.23	10.27	10.60
		10.000	02/01	99-01	+01/32	10.16	10.23	10.51
		9.000	10/08	92-11	+01/32	9.93	9.99	10.17
US TREASURY *		8.000	05/01	98-19	-03/32	8.21	8.29	8.27
		8.125	05/21	97-02	-01/32	8.39	8.46	8.45

London closing. *denotes New York morning session. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

■ THE strength of sterling helped to lift UK government bond prices, allowing the Bank of England to sell a portion of its £1bn tap stock.

However, prices fell back later on, leaving short-dated gilts unchanged and long-dated stock slightly lower on the day. The benchmark 11¾ per cent gilt due 2003/07 slipped from 110 [illegible] to 110 [illegible] by late afternoon.

Traders said the Bank of England sold an estimated £50m to £100m of the 9 per cent gilt due 2011 yesterday morning. It was sold mainly to domestic buyers at £30 part-paid. The £1bn tap issue was announced on July 19, but yesterday was the first day that any of the stock was sold.

■ THE German government's decision to issue DM2bn of 10-year Unity Fund bonds with a coupon of 8¾ per cent helped to lift German government bond prices yesterday, as traders considered the coupon attractive.

However, prices fell back later in the day on worries about funding, inflation and interest rates. The Liffe bund futures contract opened at 83.63, trading up to a high of 83.82 after the Unity Fund bond announcement, then fell to 83.62 by late afternoon.

The Unity Fund bonds were priced at 101, to yield 8.6 per cent at issue. The DM2bn portion of the issue was placed with the syndicate of banks.

■ JAPANESE government bond prices rallied yesterday, helped by rumours of an interest rate cut.

Traders said rumours circulated in Tokyo that the Federal Reserve would cut US interest rates, which would put pressure on the Bank of Japan to lower the Official Discount Rate again. The Bank of Japan cut the ODR from 6 per cent to 5.5 per cent on July 1.

The yield on the benchmark No 129 JGB opened at 6.645 per cent, but dealer-driven buying helped to push the yield through the 6.6 per cent level to close at 6.58 per cent.

NatWest to buy futures broker

NATIONAL Westminster Bank, the UK clearing bank, plans to acquire Chicago-based futures and options broker Burns Fry Futures for an undisclosed price, writes Tracy Corrigan.

Through the acquisition, which is subject to regulatory approval, NatWest will gain clearing membership of the Chicago Board of Trade and Chicago Mercantile Exchange.

NatWest hopes to have an "ongoing relationship" with Burns Fry, the Canadian investment banking firm, after the acquisition. Burns Fry took control of BFF from Security Pacific during the US bank's recent restructuring.

"This is a good opportunity to acquire an established, profitable player in what is acknowledged as the capital city of the world's futures market," said Mr Martin Owen, NatWest's group treasurer.

Some trading and broking firms in the Chicago exchanges are currently feeling the pinch as margins narrow and their clients become increasingly credit-conscious. Several are said to be looking for links with better-capitalised banks, like the alliance between options trading firm O'Connor Partners and Swiss Bank Corporation late last year.

"Banks wanting to move into the market can pick up some bargains. The question is how much money is to be made out there [in Chicago]," said one head of futures trading at a bank in London.

NatWest was not previously active in US exchange-traded derivatives business, but has been involved in the London International Financial Futures Exchange since its inception in 1982.

S Africa closer to deregulated share trade

By Philip Gawith in Johannesburg

DEREGULATION of the South African share market is closer following an announcement by the Financial Services Board (FSB) that it will recommend to the government significant liberalisation.

Mr Piet Badenhorst, chief executive of the FSB, the supervisory body for South Africa's financial markets, said the amended legislation could lead to the distribution of licences and the creation of competition for Johannesburg Stock Exchange.

This would effectively allow banks and companies to apply for permission to start rival forms of share trading.

The JSE currently has three main restrictions: brokers must act in a single capacity; commissions are fixed; and members have to accept unlimited liability. The FSB will recommend that all these restrictions be scrapped.

According to local press reports, Mr Badenhorst said the FSB would seek to make the changes in the 1992 parliamentary session. The changes would involve legislation for controlling stock exchanges, he said.

He is quoted as saying that the capacity to trade and the remuneration of members would be addressed by rules of the specific financial market.

Most brokers in South Africa agree that fixed commissions are indefensible, certainly on large deals.

Foreigners plan Xiamen bank deal

THE Asian Development Bank (ADB), the Long-Term Credit Bank of Japan, and the Sino-Finance Group (SFG) plan to acquire 25 per cent of China's Xiamen International Bank, Reuter reports from Hong Kong.

The three banks, which plan to take 10 per cent, 10 per cent and 5 per cent stakes respectively, will invest a total of HK$200m in the bank. Xiamen International is the only Sino-foreign joint venture bank in China.

Philippines float draws criticism

By Sara Webb

THE forthcoming privatisation of a Philippines company has raised questions about the way in which such issues are handled.

Baring Brothers has been appointed international lead manager for the privatisation of Meralco, the Philippines-based company which supplies Manila with electricity.

The privatisation is expected to raise between $110m and $120m, of which up to $40m will be sold to international investors. Baring Brothers is lead manager for the international offering, while the domestic issue will be underwritten by Development Bank of the Philippines, Bank of the Philippine Islands, and Philippine Industrial and Commercial Bank. The shares will be priced at about 140 pesos.

Meralco is awaiting permission for a listing from the Philippine Securities and Exchange Commission, and the share offer is expected to take place in October.

Barings expects the international equity issue to appeal to specialist investors such as Far Eastern funds or funds which invest specifically in the Philippines.

The $40m international equity offering is unlikely to be increased even if there is strong demand from overseas investors for the shares. In fact, if there is strong demand from domestic investors, the international tranche could be scaled down since local brokers are allowed to claw back up to 50 per cent of the international tranche.

The current system has attracted considerable criticism as local brokers are able to return unplaced shares with the underwriters at the close of the offer, leaving the underwriters less time in which to place the shares themselves. The system is seen as unfair because local brokers do not face any of the underwriting risk.

As a result, some banks hope that the normal procedure of "book-building", whereby those involved in the issue build up a record of demand for the shares, may be introduced in the Philippines.

One banker pointed out that too many of the shares being placed with speculative domestic investors can mean problems. "Ideally, an issue should attract a mix of long-term and speculative investors, but if there were too many speculators it could unsettle the market afterwards," he said.

INTERNATIONAL EQUITY ISSUES

Province of Quebec launches $500m deal

By Simon London

PROVINCE of Quebec yesterday launched its largest international bond issue, a $500m 10-year deal lead-managed by Credit Suisse First Boston.

The paper carries a coupon of 9¼ per cent, and was re-offered to investors at a fixed price of 99.845, where the yield spread is 75 basis points over US treasury bonds.

The pricing was regarded as fair by participants in the deal. Outstanding 10-year Eurodollar bonds issued by Quebec trade at a spread of around 71 basis points in the secondary market.

Against this, the market has been bombarded by issues from the Canadian provinces – many of which are working to finance large budget deficits this year – and is entering a summer lull. However, the yield spread on outstanding 10-year bonds has narrowed by 30 basis points since the start of the year.

The lead manager said the deal attracted mainly institutional investors and was bid at around the fixed re-offer price by the close.

Elsewhere, IBM Canada came with a tightly-priced C$150m five-year issue, targeted at retail investors. The deal was lead managed by Wood Gundy, head of a very large syndicate comprising seven co-lead managers and 29 co-managers.

The bonds pay a coupon of 10 per cent, very low by the standards of the sector, and were re-offered to investors at a fixed price of 98.80. The lead manager said that the low issue price was to guard against a possible rally in the Canadian bond market. Retail investors are loathe to buy bonds once the price has risen above par.

Another retail-targeted deal came from Barclays Australia, which raised A$75m in a three-year deal lead-managed by Barclays de Zoete Wedd.

The bonds carry an 11¼ per cent coupon, against 11⅛ per cent on BP America's A$100m three-year deal launched on Monday via Merrill Lynch. Despite a higher issue price, the Barclay's paper was yesterday launched at a yield 20 basis points higher than the BP deal.

The deal traded at less 1.4 bid, inside full fees of 1.5 per cent. BP bonds were yesterday trading at less 1.65 bid, outside full fees.

● Mexico yesterday launched a Pta10bn five-year Matador bond issue in the Spanish bond market. The deal was priced to yield 220 basis points more than Spanish government bonds and was well-received by investors, trading up from an issue price of 99.50 to stand at 100.125 by the close. Lead-managed by Banco Santander, the proceeds of the issue were swapped into dollars.

● A timetable for the launch of Globex, the after-hours electronic trading system, may be ready by the end of this year, according to the Chicago Board of Trade, Reuters reports.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Province of Quebec(a)†	500	9¼	101.47	2001	2/1⅝	CSFB
Kumagai Gumi(a)♦	360	4¾	100	1995	2¼/1½	Daiwa Europe
Nippon Stainless Steel(a)♦	100	4⅝	100	1995	2¼/1½	Yamaichi Int.
ANZ Banking Gp.(b)‡†	200	(b)	100	1994	22.5bp	Merrill Lynch
CANADIAN DOLLARS						
IBM Canada(a)†	150	10	100.425	1996	1⅞/1⅝	Wood Gundy
AUSTRALIAN DOLLARS						
Barclays Aust.Int.Fin.(a)†	75	11½	101⅝	1994	1½/1⅛	BZW
PESETAS						
United Mexican States(c)†	10bn	14¼	99½	1996	1¾/½	Bco.Santander d'Negocios
D-MARKS						
Fiat Fin.& Trade(a)†	200	9	101½	1998	2/1¼	Deutsche Bank
Hambros Int.Fin.BV(d)★★‡†	70	(d)	100	2001	½	NordLB
SWISS FRANCS						
Nippon Meat Packers(a)★★♦	100	4¾	100	1995	-	Credit Suisse
Aiwa(f)★★§	100	5¼	100	1995	-	UBS
Tateyama Aluminium(g)★★♦	100	4½	100	1995	-	SBC
Toho Rayon(h)★★♦	80	4¼	100	1995	-	Yamaichi Bk (Switz)
Xebio Co.(i)★★§	80	4	100	1995	-	Nomura Bk (Switz)
Kanto Biochemical(j)★★§	40	4	100	1995	-	Daiwa Secs.(Switz)
Meiko Construction(a)★★♦	35	4½	100	1995	-	Nikko Bk (Switz)
Nippon Densu(a)★★♦	25	4½	100	1995	-	Nikko Bk (Switz)

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Amount increased from $150m. Coupon pays 3-month Libor + 25bp. Non-callable. c) Matador issue. Non-callable. d) One call only, at par after 5 years. Coupon pays 6-month Libor + 35bp for first 5 years, then 6-month Libor + 50bp thereafter. e) Callable 15/8/93 at 101% and 15/8/94 at 100½%. f) Callable 30/9/93 at 101% declining ¼% annually. g) Callable 22/6/93 at 102% declining ½% semi-annually. h) Callable 14/2/93 at 101¼% declining ¼% semi-annually. i) Put option 30/9/93 at 108¾% to yield 7.86%. Coupon payable semi-annually. j) Put option 30/11/93 at 108½% to yield 7.496%. Coupon payable semi-annually.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Tuesday July 30 1991

[illegible]

FIXED INTEREST

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	12	44	27
Corporations, Dominion and Foreign Bonds	0	5	15
Industrials	299	251	966
Financial and Properties	129	105	506
Oils	19	17	54
Plantations	0	0	10
Mines	17	55	87
Others	51	59	50
Totals	527	536	1,715

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings July 22
● Last Dealings Aug. 2
● Last Declarations Oct. 24
● For settlement Nov. 4

For rate indications see end of London Share Service

Calls in Anglia TV, Barratt Devs., Brent Walker, Medeva warrants, Next, Norex and Tullow Oil. Puts in Control Sec., Hadleigh Inds. and TV-am. Puts and calls in Crest Nicholson and Speyhawk.

LONDON TRADED OPTIONS

[illegible]

Acquisitions help Harland Simon advance to £10.5m

By Richard Gourlay

HARLAND SIMON, the process control engineering group, yesterday reported profits up 26 per cent, helped by the successful integration of two acquisitions during the year.

The results, however, were towards the lower end of market expectations and the shares lost 25p to close at 515p.

Pre-tax profits rose from £8.31m to £10.48m in the year to March after an exceptional £538,000 provision. Sales rose by 24.5 per cent to £75.7m.

Earnings per share rose 11 per cent to 39.5p in spite of the dilutive effect of the acquisition of Crosfield Press Controls, which it acquired from De La Rue after a £13.9m rights issue last July.

The directors are recommending a final dividend of 5.5p, giving a total of 7.5p, up 25 per cent on the year.

The company continued to push its non-UK sales, which grew 43 per cent to £35.6m. It has also reduced its dependence on the newspaper industry to 45 per cent of sales, from 88 per cent when it was floated in 1987.

Harland makes equipment that controls continuous processes like newspaper printing, car production, tissue manufacture and oil and gas pumping.

The exceptional provision was for outstanding debts from Polly Peck International, the fruit and electronics group placed in administration last October.

The group had developed a trading relationship with Polly Peck companies, and Mr Birol Nadir, the son of Mr Asil Nadir, Polly Peck's chairman, was chief beneficiary of a trust that had a 28 per cent stake in Harland until September last year.

Harland is also on the verge of restructuring its interest in Perfect Information, an optically based data retrieval system sold to banks, insurance companies, stockbrokers and newspapers.

Harland will be left with £1m of loan stock in a company with equity of £6m. This will be supplied by venture capitalists and institutional investors.

● COMMENT

Selling into the newspaper or car industries at present might appear like a mugs' game. But with newspaper proprietors seeking greater cost and job cuts and auto makers trying to introduce more flexible production lines, Harland is at the right end of both industries. As a minnow, it is also able to nibble away at larger competitors' market share with great impact on its own performance. Yesterday's share price reversal should therefore be temporary as the market recognises the company has performed well in tight markets. Also its decision to restructure the data retrieval company should give institutions comfort that Harland is not succumbing to distractions. Warburg Securities' forecast of pre-tax profits this year of £13.5m give earnings per share of 46p fully diluted, and a prospective multiple of 11.2 times – close to a low for the company.

March to dispose of race car interests

By John Griffiths

THE FIRST and only foray to date by a specialist racing car company into the Unlisted Securities Market is at an end.

Subject to an extraordinary meeting next month, all the race car and engineering activities of March Group will be sold off to the racing enthusiast directors who run them.

The group will remain on the USM, but if a large acquisition now under negotiation goes through, it will be active solely in the financial services sector. Trading in March's shares was suspended yesterday at the company's request.

The fundamental change of course by the loss-making March was disclosed by chairman Mr John Cowen in a letter to shareholders yesterday.

It coincided with publication of the interim results to April 30. These showed a pre-tax loss of £895,000, reduced to £720,000 after release of part of the provision against continuing losses and closure of Cobbold Roach, the Southampton-based stockbroker bought for £3.1m in April last year from Elders IXL. In the previous half-year, March made a pre-tax loss of £104,000.

The Cobbold purchase was intended to form part of a diversification drive aimed at reducing March's exposure to the volatile world of motor racing.

Instead, Cobbold Roach ran up trading losses of £1.3m during March's 10 months of ownership and became the subject of a misappropriation inquiry by the Fraud Squad. Its managing director resigned in February.

The institutional investors who have backed two March rights issues have put the company under considerable pressure to divest itself of the volatile racing and engineering business and concentrate on becoming a financial services venture.

The assets, stock and work-in-progress of March Engineering is being bpought for £740,000 cash by Mr David Reeves, its managing director and long-time associate of March founder Mr Robin Herd, and another director, Mr Paul Bolton.

D – Day looms for the Beef Baron

The proposed purchase of Food Industries – Kieran Cooke reports

WHEN FOOD Industries, the Irish agribusiness company, went public in early 1988 the bulls on the Dublin stock market pawed the ground, ready for action.

Food Industries is 68 per cent-controlled by Mr Larry Goodman, head of the privately held Goodman International, Ireland and Europe's biggest beef processor and exporter. Back in 1988 the talk around Dublin's boardrooms was that Mr Goodman – known as the "Beef Baron" – was going to use what was thought to be his vast wealth to turn Food Industries into one of the major players on the European agribusiness scene.

"Just watch what Larry does," was whispered in many a financier's ear. But Mr Goodman's ambitions for Food Industries have come to nothing and the company is up for sale.

Greencore – the former Irish Sugar company privatised earlier this year – has set tomorrow as the deadline for a I£58m (£53m) offer it has made for Food Industries.

Although the majority of Food Industries' board has recommended acceptance of the Greencore offer to shareholders, Mr Goodman is trying to hold out for a higher price.

Food Industries still has the reputation of being one of Ireland's better managed companies. It has a good spread of business in the malting and grain handling sectors and is also involved in jam manufacture.

But it has been tied to the fortunes of Mr Goodman. Back in 1988 it seemed there was little Mr Goodman could not do. Goodman International was reputed to have a turnover approaching I£1bn, and account for about 4 per cent of Ireland's GDP.

Larry Goodman: holding out for a higher offer

Mr Goodman was buying meat plants in Brazil and making what were thought to be highly lucrative sales to the Middle East, particularly to Iraq and Iran. When Mr Goodman spent millions of pounds building up a 14 per cent stake in Berisford, the UK commodities group, and an 8.8 per cent stake in Unigate, the UK dairy group, the market saw it as part of a Food Industries strategy to form a diversified agribusiness empire. But that strategy was charted on sand.

Last August is was revealed that Goodman could not service debts of more than I£500m to 33 banks around the world. Several banks said Mr Goodman had misled them: they said they lent money to Goodman International for what they thought was working capital purposes. Instead, Mr Goodman had used the banks' money to try and expand Food Industries. Goodman's investments on the London stock market had been little short of disastrous. His meat business was in serious difficulties, with Iraq owing more than I£160m. The banks were none too pleased when the Irish parliament was recalled from its summer break last year to rush through protective companies legislation. Goodman International immediately sought the protection of the courts.

For much of the past year Mr Goodman has been involved in a protracted and highly complex series of negotiations on a rescue package for his meat group. Part of the deal between bankers and Mr Goodman is that "non-core" assets – those not related to the beef industry – be disposed of to pay off debts and raise working capital. Mr Goodman has had to sell various property interests. He is also having to sell Food Industries.

The company has been on the market for some months. Its dairy division – built up after a series of much publicised takeover battles between Mr Goodman and farmers' co-operatives – was sold to the Irish Golden Vale group last year for I£29m. The offer by Greencore – a company which is still 45 per cent owned by the state – is the first firm offer to be made for Food Industries. Greencore obviously feels it is in a strong position. Mr Goodman is under some pressure from his bankers. His fellow executives at Food Industries feel that little can be done with the company until it cuts itself loose from the none-too-stable Goodman ship.

Yesterday Greencore issued a tough statement saying that its offer deadline would not be extended and if the necessary irrevocable undertakings from Goodman were not received the offer would not proceed.

But Mr Goodman is a fighter. He wants at least I£68m for Food Industries.

The "Beef Baron" will need all his guile about him over the next few days to resist the Greencore takeover of Food Industries. Perhaps Mr Goodman will be spurred on by one of the ironies of the present situation. Back in 1989, when Mr Goodman was at the height of his corporate power, he himself made attempts to takeover an Irish company. Its name was Irish Sugar, now Greencore.

SEET claims damages over stake purchase

SEET, the textile and retailing group chaired by Mr Jock Mackenzie, has issued a writ against Moores Rowland, its reporting accountants, claiming damages for breaches of duty and/or contract arising out of advice in connection with a past acquisition, writes David Owen.

The deal concerned was the 1988 purchase of shares in Homemaker Shops, a Detroit-based chain of bedlinen and bathlinen shops. Moores Rowland has resigned as the group's auditor and been replaced by Neville Russell.

SEET, which yesterday had no further comment on its move, paid some $5.1m (£3m) for a 46 per cent stake in Homemaker in a transaction which gave it an option, not subsequently exercised, to lift its interest to 80 per cent.

Moores Rowland said yesterday that SEET's claim was without substance and would be vigorously defended.

EDS steps up attack on SD-Scicon management

By Richard Gourlay

ELECTRONIC Data Systems, the subsidiary of General Motors of the US, stepped up its attack on the management of SD-Scicon claiming the UK computer services company it is trying to buy reneged on a contract to sell a US subsidiary.

EDS said SD-Scicon had pulled out of a binding agreement to sell its US emissions control business to Envirotest Systems, a US company.

Mr John Jackson, the chairman of SD-Scicon, yesterday denied that the company had ever been under an obligation to sell to Envirotest and said that no deal had been struck, as Envirotest claimed.

Credit Suisse First Boston, advisers for EDS, said that SD-Scicon's failure to admit arrangements to sell the company were so advanced in May - including the signing of a number of letters of intent that included a target price - called into question the integrity of the software company's management.

SD-Scicon has said during its defence that it had turned away offers, including the Envirotest offer for £40m and that there were no negotiations taking place to sell the US company.

CSFB also said that SD-Scicon shareholders did not appear to be aware that as much as half the software company's full year profits of £14m, which the company forecast in a defence document last weekend, was likely to come from the US emission control business.

EDS is offering 45p a share for the Hampshire-based company in a hostile bid worth £121m.

Earlier this month, SD-Scicon announced that over 48 per cent of its shareholders would not accept the EDS offer at that price.

Etam urges holders not to sell their shares

By Maggie Urry

ETAM, the fashion retailer under threat from a £121m bid from Oceana Investment Corporation, a South African-controlled retail group, wrote to shareholders yesterday advising them to not to sell their shares.

Etam reiterated its view that Oceana was trying "to buy Etam on the cheap". It also repeated its forecast that profits should recover to £27.3m pre-tax once the recession ends.

In the latest financial year, to January 26, pre-tax profits were £8.5m.

Oceana wrote to Etam holders on Monday attacking Etam's retailing strategy. It suggests that Etam's share price will fall sharply if its bid lapses.

On Monday, Oceana instructed Panmure Gordon, the stockbroker, to buy up to 6.5m Etam shares in the market at up to 185p, the value of the bid, for cash settlement. It bought 875,543 shares at 185p, on Monday, taking its stake in Etam to 31.48 per cent. It also has acceptances covering 1.46 per cent of Etam's shares.

Etam claims that directors, with 10.2 per cent of Etam's shares, and shareholders with a further 23.7 per cent of the company, have said they would reject the offer.

Etam shares rose 1p to 184p yesterday, but turnover in the shares was minimal suggesting that Panmure Gordon had not been able to buy much stock. The offer to buy for cash settlement lasts until August 5, and the general offer is open until August 12. It is a final offer, and could only be increased if a higher bid was made by a rival.

هكذا في الأصل

UK COMPANY NEWS

YRM beats sector trend and limits fall to 35%

By Maggie Urry

YRM, THE BUILDING design consultant, suffered a 35 per cent drop in pre-tax profits from £309m to £1.99m in the year to April 30.

However, the group fared better than many of its rivals in the difficult trading conditions for construction-related businesses and its shares rose 14p to 30p.

Mr Tim Poulson, chief executive, said that trading conditions worsened through the financial year but now seemed to have stabilised. However, he did not foresee much improvement before autumn next year.

The group has cut staff by 25 per cent during the last two years. Redundancy payments had hit profits, but YRM should benefit from lower staff costs in the current year.

Similarly, the interest charge is expected to drop this year as the group cut debt from about 45 per cent to 6 per cent of shareholders' funds over the last financial year.

London and the south of England, which contributed nearly 80 per cent of YRM's turnover in 1989-90, had been the worst hit area, Mr Poulson said, but the group's wide range of services, readiness to take on smaller commissions and expansion into Scotland and Europe meant it had gained market share.

Turnover was down 14 per cent to £23.7m (£27.5m), with the second half seeing a sharper fall than the first. Margins improved during the year, though.

Earnings per share were 35 per cent lower at 9.35p (14.48p). The proposed final dividend is to be maintained at 3.35p giving an unchanged total for the year of 5p.

● **COMMENT**

YRM's share price performance since flotation in April 1987 has been poor but its public career has coincided with tough trading conditions. YRM's first big commission after flotation was a 500-bed hotel in Turkey for Polly Peck International, and it has had to make a small provision against that. But it has done better than others in the sector, some of which are reporting losses. After cutting its costs to the bone, and reducing gearing to almost nothing, it should at least be able to maintain profits this year, and the dividend looks safe. A prospective yield of 11.1 per cent and p/e of 6.4 is a far cry from the 2.5 per cent yield and 15.6 multiple the shares were floated on. It may be a while before the shares' rating improves but there should not be much downside from here.

Exposure in a market no longer safe as houses

Vanessa Houlder looks at the background to Barratt's forecast losses and provisions

EVEN BY the standards of the worst housebuilding slump in living memory, the scale of the losses forecast by Barratt Developments, the UK's third largest builder, left the City gasping in amazement.

The bafflement of investors and analysts was undiminished yesterday, thanks to the company's decision not to give further details until September of its £80m provisions and £100m pre-tax loss it predicted for the year to the end of June.

In a statement it merely said that the last six months had seen major losses in its subsidiaries in southern England and the US. The optimism it expressed in March about encouraging signs in the UK and a major recovery in the US, proved to be ill-founded, it said.

The terse announcement left analysts foundering. Was the loss due to to specific failings within Barratt or was it due to market conditions, thus signalling further problems for UK housebuilders as a whole?

In some respects Barratt is especially vulnerable. In the early 1980s its profits were nearly wiped out after two World in Action programmes criticised its use of timber frames in its houses and its marketing techniques. Although it eventually recovered, it was left wrong-footed at the next upturn in the market. "It came late to buying land and has a large land bank bought at the top of the cycle," says one analyst.

Analysts also reckon that the company suffered as a result of its aggressive policy of taking buyer's old houses in part exchange for new properties. It had 549 unsold second hand houses on its books in the first half of the financial year.

Some believe that the real problems have emerged in the company's Californian operations. So far, the company has not made any provisions against its exposure to the Los Angeles housing market, which has experienced a boom and bust of its own.

But the problems may be closer to home. One analyst, who is close to the company, is adamant that the problems predominantly stem from the company's operations in southern England. As the profitability of housebuilders has dropped the demand for land – and its price – have tumbled. For instance, land around the M25 motorway that cost £1.25m per acre in 1988 is now worth just £250,000.

The glimmer of optimism that emerged after the Gulf war has been overcome by fears of a deepening recession and unemployment. A survey by Halifax Building Society earlier this month showed that falling interest rates had failed to trigger increased turnover.

Sir Lawrie Barratt: has no doubts about his decision to come out of retirement and take control again

The decline yesterday of the share prices of some other housebuilding companies suggests that Barratt's announcement may have wider implications. If land prices in the south have plummetted, other UK housebuilders will have to make further provisions.

Another possible consequence is that Barratt will be forced to cut house prices to raise cash, which would have a damaging knock-on effect on other builders.

There was, however, a suspicion among analysts that the provisions at Barratts have been exaggerated to accentuate its eventual recovery. "Sir Lawrie has thrown the kitchen sink at the window," said one.

Where does Barratt go now? The company's champions believe that reducing the size of its land bank will be enough to get its gearing down to the 50 per cent target set by Sir Lawrie. If it sold 3,500 units over the year and bought no new land, it would free £70m that had previously been tied up in land.

Other analysts are less sanguine. "I am flabbergasted by the extent of the write-downs" said Mr Ben Uglow, a construction analyst at Salomon Brothers. "The core of the problem is they have no interest cover whatsoever. How are they going to meet their interest payments?"

Many analysts think that, given debts of about £180m, gearing will have gone over 100 per cent causing a breach in the company's covenants. However, according to one analyst, the company has already renegotiated its banking facilities earlier this year.

There is speculation about the need for a restructuring or rights issue. A takeover bid may another option, although the list of potential buyers is not a long one.

So Sir Lawrie Barratt's dramatic decision to come out of retirement to head the company once again may prove a tough one. "You cannot help but feel it is more emotional, rather than rational," said one analyst.

On Monday, however, Sir Lawrie admitted no doubts. "I am very confident about the medium and long-term prospects of the group, and indeed I should not have returned had I not had this belief."

East Midlands Electricity in European joint venture

By Juliet Sychrava

EAST MIDLANDS Electricity, the regional electricity supply company, will join with five European electricity companies in a joint venture to invest in power station projects around the world, the company announced yesterday.

East Midlands will hold 27 per cent of the joint venture, to be known as Independent Power Generators (IPG). Compagnie Generale des Eaux, the French water and public works company will hold 29 per cent, and Electricite de France, the French national electricity company, 19 per cent.

A private Spanish electricity company, the Iberdrola Group, will hold 15 per cent of the company, while Alcatel Alsthom, the French telecommunications, transport and energy company, will hold 10 per cent.

IPG's first project will probably be a modest gas-fired power station in the UK, similar in size and cost to the £200m 350MW station East Midlands is building at Corby, Northamptonshire, said Mr Phil Champ, chairman of East Midlands' generation division.

"I've a view that there's a digestible size for the UK market. You have to find purchasers for the power," he said.

East Midlands will probably announce further details of the project at the end of the summer, Mr Champ said, but the station is likely to be on the east coast, where access to gas pipelines from the North Sea is easier.

There are now about 50 independent power stations being planned in the UK, although several projects collapsed this summer when they ran into difficulties securing contracts for gas to be delivered in 1993 and 1994.

But Mr Champ said there would be no problem securing gas supplies from 1995 onwards. "There are a number of oil companies with gas to sell for the mid-1990s," he said.

Other independent power projects, such as the 1,725MW Teeside power station being built by a consortium led by the US power company Enron, have run into planning difficulties.

East Midlands' own second power station project, at Rugby, in Warwickshire, also faces planning problems. "We will go ahead, but may have to find another site," said Mr Champ yesterday.

NEWS DIGEST

Shares jump at Victoria Carpet

SHARES in Victoria Carpet Holdings rose 19p to 124p after it reported a 6 per cent fall in annual taxable profits which it described as being "less than might have been expected in what has been a very difficult 12 months for the industry."

On turnover 5.5 per cent lower at £36.7m (£38.9m) for the year to end-March, profits fell from £2.03m to £1.9m. After tax of £676,000 (£789,000) earnings came out at 19.15p (19.86p).

The dividend is being maintained at 4.5p which, taking into account waivers, will absorb £276,000.

For the future short-term trading prospects remained depressed in the UK and Australia. However the capital spending programme was being maintained at a high level.

Expansion leaves Ramsden's lower

The initial expansion moves by Harry Ramsden's left the West Yorkshire-based fish and chip restaurant operator with interim pre-tax profits lower at £74,000, against £134,000. The chairman said however that the result was above budget.

The performance was the result of good figures from the joint ventures in Blackpool and Glasgow which offset a 5 per cent fall at its original restaurant in Guiseley, Leeds. Negotiations are proceeding for further joint ventures, including one in Hong Kong.

Turnover for this USM-quoted company in the 26 weeks to March 31 was £715,000 (£754,000). Earnings came out at 0.8p (1.4p) but the interim dividend is maintained at 1p.

Everards rises to £298,000

The benefits of a capital investment programme, now nearing completion, enabled Everards Brewery, the Leicester-based independent brewer, to lift its pre-tax profits from £2,000 to £298,000 for the six months ended March 30.

Turnover of rose to £15.03m (£13m) but the investment programme resulted in an increase in interest charges from £434,000 to £817,000.

The interim dividend is being lifted to 6.2p (5.8p) from earnings of 9.5p (losses 0.3p).

Estates & General property sale

Estates & General has sold a portfolio of 10 investment properties to a joint venture company for £4.3m.

The new company will be equally owned by Estates & General and WE Black, a private company.

The investments, which are mainly retail, currently generate income of about £400,000 a year, a yield of some 10 per cent. All the properties will be managed by WE Black.

The transaction is being financed mainly by a £3m non-recourse five-year term loan, with the balance being provided equally by the partners.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aegis ....int	2.75†	Oct 9	2.75	-	5.85
Harland Simon ....fin	5.5†	Sept 27	4.5	7.5	6
Jersey Phoenix ....fin	1.875	Sept 26	2.125	5.25	5.125
Ramsden's (H) § ....int	1	Sept 20	1	-	4.5
Rights & Issues ....int	2.2	Sept 30	2	-	7.5
Victoria Carpet ....fin	4.5	Oct 4	4.5	4.5	4.5
YRM ....fin	3.35	Oct 18	3.35	5	5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

COMMODITIES AND AGRICULTURE

El Teniente copper miners vote for strike action

By Pablo Bachelet in Santiago

MANAGEMENT and unions at El Teniente mine of the Chilean Copper Corporation (Codelco) were holding last-minute discussions yesterday to avert the strike that workers at the mine had voted overwhelmingly in favour of the evening before.

The strike, in support of demands for higher pay, will begin at midnight tomorrow unless the unions agree to postpone the date so that negotiations can be prolonged.

"The company would have to improve its proposal substantially," said Mr Sergio Shipley, who represents 6,000 miners at the negotiating table.

Over 95 per cent of the workers rejected a company proposal that included a P175,000 ($500) a man one-off bonus and a profit-sharing mechanism for 2 per cent of the mine's earnings.

"The vote shows miners are united and willing to strike," Mr Shipley said.

Unions are demanding pay increases, which range from 9 to 12 per cent in real terms.

The failure of negotiations to *result in conclusion of* an agreement so far indicated some deep-seated problems at Teniente, one of the world's largest underground mining operations, where rising costs are lowering profits.

This makes it unlikely that a profit-sharing deal like the one that helped to end a two-week stoppage at Codelco's Chuquicamata mine earlier this month will provide the basis for a compromise.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+8,900	to 508,050
Copper	+1,825	to 261,800
Lead	+1,125	to 85,025
Nickel	+258	to 6,420
Zinc	+225	to 120,275
Tin	+55	to 14,480

Under their management's proposals Each miner at El Teniente would receive $100, compared with the $500 awarded to their counterparts at Chuquicamata.

Mr Shipley rejected a company *counterproposal to peg* future salary increases to lower costs.

"We can't peg bonuses to cost items we don't control, like fuel prices and copper stock levels," he explained.

The union leader recognises that the mine is hugely overmanned, with 9,000 miners *expected to produce 296,000* tonnes of copper this year, half of output at the Chuquicamata's mine which has a payroll of a similar size.

Meanwhile, the company, in anticipation of a strike, began turning off furnaces yesterday at Caletones, a smelting and refining complex near El Teniente.

Mr Daniel Trivelli, who heads the company's negotiating team, said losses resulting from the strike are expected to be "in the order of $450,000 per day".

The strike, however, will not affect the large work force contracted for specific duties by management, including mine expansion and the installation of new grinders, according to Mr Jorge Revuelta, El Teniente's *administrative* manager. However, no production would occur during a strike, he noted.

Platinum forced below gold by Japanese

By Kenneth Gooding, Mining Correspondent

DISILLUSIONED JAPANESE investors sparked off another sharp fall in the price of platinum yesterday to the lowest level for five and a half years. It closed in London well below the price of gold – something that has happened only briefly on two occasions since 1986.

Platinum ended the day in London at US$358.10 a troy ounce, down $7.65.

"The upside for platinum is now fairly limited," suggested Mr Ted Arnold, analyst at the Merrill Lynch financial services group. "Perhaps it might go to $380 or $390, but then it will run into a lot of forward selling. The market has capped itself for some time."

Yesterday's fall started overnight on the Tokyo Commodity Exchange (Tocom) as some substantial Japanese investors decided to take a loss on con*tracts to buy platinum* for future delivery.

They were influenced by the weakness of the yen against the US dollar and the behaviour of the platinum price *since it was sent reeling in* May when Nissan, the second-largest Japanese car producer, said it had developed an automotive catalyst which did not use platinum or rhodium but palladium, which is cheaper.

Production of car catalysts, used to clean up exhaust fumes, accounts for about 40 per cent of platinum demand and Nissan's revelation caused a $25 an ounce overnight drop in the price.

The market's bearish sentiment has been encouraged by news that exports from the Soviet Union, the second-largest producer after South Africa, had soared in the first *half of this year.*

An analysis of official statistics by Mr Tony Warwick-Ching of the Commodities Research Consultancy group shows Soviet platinum exports to Switzerland, a clearing centre for precious metals, up from 2,009 kg in the first half of 1990 to 22,671 kg.

The announcement last week that Rustenburg, South Africa's biggest platinum producer, was to a new low-cost open pit mine in the Northern Transvaal, unsettled the market further.

Gold and silver prices followed platinum down yesterday. Gold closed in London at $362.65 an ounce, down $2.55, and silver lost 4.5 cents to end at 404.5 cents an ounce. Mr Arnold pointed out that demand for both these metals was very weak and "precious metals are no different from base metals, there is nothing mystical about them. If demand is not there, the price won't go up".

Poisonous jam prescribed for possum pests

Dai Hayward on a threat to New Zealand's forests and cattle

NEW ZEALAND'S billion-dollar-a-year beef export industry faces a potentially catastrophic threat from a bright-eyed, pink-nosed, sharp marsupial – the possum, which invading grass pastureland carries the menace of bovine tuberculosis to cattle herds.

Imported into the wild originally from Australia 100 years ago – and not to be confused with the American opossum – it has thrived in the lush forests of New Zealand and has developed into a larger, quite different animal to its ancestors. Its numbers multiplied rapidly until, helped by the anti-fur campaign which virtually put an end to trapping ,there has been a population explosion.

The possum has wiped out large tracts of native forest and is threatening the native Christmas tree – the *pohutukawa* – which is so named because of its mass of bright red December blossom, with extinction. Most serious of all it carries the TB virus. Bovine TB was eradicated from cattle herds some years ago but *recently animals grazing near* the forest edge have been diagnosed as having the disease.

Its existence was revealed in the regular two yearly checks carried out on all dairy and *beef herds. Infected cattle are* immediately slaughtered, animals banned from grazing on land where they fed and movement of all stock from affected farms prohibited.

New Zealand was already spending NZ$18m (US$10.2m) a year trying to control possum numbers but now more money and a greater urgency is being devoted to the fight against the engaging mammal.

The advance of the TB-carrying possums has been described as "an ecological disaster". Hillsides and forest valleys that were a blaze of scarlet in summer months are now huge patches of grey with upto 50 per cent of the trees killed or dying. The nocturnal marsupials can destroy trees more than 100 feet tall by eating everything – the bark, buds, berries, leaves and flowers.

Currently 70 m. possums are estimated to be eating their way through the forests. They are also attacking horticultural crops and home gardens as they take up residence in city parks. Trapping and using cyanide poison baits had little impact on their numbers and there is now growing clamour for the authorities to use the extremely powerful 10-80 poison, which has been banned from general farm use because of its extreme toxic qualities.

Before the collapse of international fur prices many season workers spent the winter *hunting possums, shooting* up to 200 in a night – a quick, perhaps more humane death, than poisoning. Now the market no longer make it worthwhile spending nighta in the *bush tracking the creatures.*

It is perhaps ironical that European and American animal lovers who mounted the anti-fur campaign against women wearing fur coats have *directly contributed to the* much more unpleasant death by poisoning of possibly millions of these animals. At the same time bird lovers are concerned that 10-80 poison pellets dropped from the air will also kill native species. Government scientists are trying to find a composition which will repel birds but attract possums.

In one controlled attack on an offshore island where 180 tonnes of poison pellets rained from the skies cinammon proved to be the most effective. It was rejected by the birds but appealed to the possums.

The marsupials have mutiplied to 70m in a 100 years

Conservation officers and scientists agree that trapping, shooting or poisoning can only have a delaying effect on the possum population explosion.Their reproduction rate is high. *They have the ability to* produce a new joey, as the young babies are called, every 27 days. Fortunately, however, female possums generally breed only twice a year.

Possibly the best hope of reducing the threat is to find a virus-carrying insect which could infect the animal making it sterile. As it is, desperate scientists have even tried biodynamic control.

This involves burning the animals' testicles and fur, mixing the ash with sand and spraying it onto grass or crops when the moon is in the right quarter. The theory, put forward in all seriousness is that the mixture would repel possums and be a cheaper, safer method of eradicating them than poison. The mixture had no effect. Possums held in pens happily chewed on treated food while untreated food lay nearby.

Farmers and agricultural officials in the extreme north are banding together to establish a "line of death" right across the country. They hope to protect more than a million disease-free dairy and beef cattle from the menace of Bovine TB which has been detected in possums 60 miles to the south.

Established at a narrow part of the country the cordon will be 20 miles long and a half-to-a mile wide. The strip will be thickly spread with poisonous jam which, it *is hoped*,will appeal to the possums' taste buds but be ignored by other wild life.

The project may sound ludicrous. But it is at least an indication of just how seriously farmers and the authorities view the threat from the cuddlesome marsupials.

Silver stocks reappraisal urged

THE WORLD silver stockpile is "grossly over-estimated" and about half of it is unsuitable for key industries because of poor quality, according to a Mexican government official, reports Reuters from Coeur D'Alene, Idaho.

Mr Alfredo Elias, under-secretary of mines and basic industry in the Ministry of Energy, who is attending the Silver Institute's annual conference, said about 50 per cent of the stocks are not of sufficient quality for use by the photographic and electronic industries.

He stressed: "You have to upgrade the quality. You can do it through another process, but it costs a lot of money."

As part of world stockpiles, Mr Elias included stocks held by the US government, industry and foreign governments, as well as unreported investment stocks and those held by the futures exchanges.

He said that Mexico, the US and Canada plan to fund a study of the size and quality of world stocks with funding coming from a levy on production in the three countries of 1.5 cents a troy ounce, Mr Elias told the conference.

Actual analysis will be done by an "independent, reputable consulting firm" that will be selected over the next few months, he added.

The three countries want the independent consultant to come up with "reliable figures on production".

They want an "in-depth study into what inventories really are", according to Mr Elias. It is planned that up to date data shall be published twice a year.

Estimates of high stocks are unnecessarily driving down world prices, Mr Elias told the conference.

At the New York Commodity Exchange (Comex) alone, silver stocks stood last Friday at 275.79m troy ounces, slightly down from an all-time high set a week earlier. Silver futures for September delivery at Comex are trading at just above $4 an ounce, down from a 1991 high of $4.70 and life-of-contract high $6.46.

● Growth in Mexico's mining sector will slow this year from last year's 7.7 per cent as the low level of world prices takes its toll, Mr Elias said. But he said growth would not be eliminated because of expansion in certain non-metallic minerals.

Salt, sulphur, coal, copper and non-metallic minerals such as flouride were all "doing very well".

"It depends on how you count growth," he added. "If you count on volume, we will probably have increases in most minerals. But if you count on value, there will be reductions due to lower world prices."

In 1990, domestic mining investment grew to $570m from about $200m in 1989.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,670 (1,620-1,650).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.90-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.40-1.60 (1.30-1.50).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 12.75-13.00 (12.85-13.20).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 75-95 (80-95).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.30-2.35 (2.32-2.37).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 56-60 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.30-2.50 (2.40-2.50).

URANIUM: Nuexco exchange /value, $ per lb, U_3O_8, 9.05 (same).

Grain prices ease after profit-taking

By Barbara Durr in Chicago

GRAIN MARKET participants cashed in on the recent price rally at the Chicago Board of Trade yesterday, causing prices to drop slightly.

Futures prices for maize and soyabeans, which have been pushed up by a drought in the Midwest, fell back from their large gains on Monday. In the morning September delivery maize fell 1.5 cents to $2.55½ and September soyabeans dropped 3.25 cents to $5.85.

Grain analysts said farmers were selling heavily to take advantage of the market's highs and commercial users were also taking profits.

As dry, hot weather has settled over the last several weeks in the central grain belt states of Iowa, Illinois and Indiana, crops have been steadily deteriorating.

The US Department of Agriculture's weekly crop conditions report, released after the close of trading Monday, scaled down the percentages of crops that are considered to be in good or excellent shape.

The amount of Indiana soyabeans rated in good condition, for example, fell to 31 per cent this week from 40 per cent last week. And, in Illinois, soyabeans rated good or excellent dropped to 47 per cent from 58 per cent. Topsoil moisture is short by 98 per cent in Indiana, 93 per cent in Illinois and 83 per cent in Iowa, the USDA report said.

Weather forecasters predict normal rainfall in Illinois and subnormal rainfall in Indiana over the next week or so. Temperatures are expected to be within normal ranges.

● The International Wheat Council plans to revise upwards its forecast for Soviet grain imports in 1991-92 (July-June), an IWC official said yesterday, reports Reuters.

"Imports will rise due to a lower crop," said the official, adding the Soviets *had* recently received more grain credits. The USDA on July 1 revised its forecast of Soviet grain imports upwards by 3m tonnes to 33m in 1991-92.

WORLD COMMODITIES PRICES

MARKET REPORT

THE OLD adage urging speculators to "buy on the rumour and sell on the news" seemed to sum up London Metal Exchange traders' response to yesterday's announcement that miners at Chile's El Teniente copper mine *had voted to go on strike from* tomorrow night (see story above). The cash copper price, which had *risen £37.50 a tonne in three* trading days as the strike vote approached, fell back £13 yesterday to £1,323 a tonne. Dealers said that it was generally expected that a settlement would *be achieved before tomorrow's* deadline. At the London Futures and Options Exchange Coffee prices regained some of Monday's decline, although traders said there was little reaction to news that members of the Brazilian coffee industry were meeting to discuss their stance on the renegotiation of the moribund International Coffee Agreement. *The September futures price* closed £4 higher on the day at £538 a tonne. Cocoa prices *registered modest falls as dealers* reported signs of selling by Ivorian and Malaysian producers. There was no reaction to the International Cocoa Organisation's announcement that it had raised *its forecast of the 1990-91* production surplus from 89,000 to 108,000 tonnes.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.20-6.30u	+0.05
Brent Blend (dated)	$19.45-9.55u	-.075
Brent Blend (Sep)	$19.50-9.55	
W.T.I. (1 pm est)	$21.40-1.45u	+0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$243-245	
Gas Oil	$189-190	
Heavy Fuel Oil	$68-70	
Naphtha	$194-196	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$362.65	-2.55
Silver (per troy oz)♣	404.5c	-4.5
Platinum (per troy oz)	$358.10	-7.65
Palladium (per troy oz)	$86.25	-5.35
Copper (US Producer)	104.5c	
Lead (US Producer)	50c	
Tin (Kuala Lumpur market)	16.46r	-0.03
Tin (New York)	283.0c	-1.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	106.34p	-1.46*
Sheep (dead weight)†	121.69p	+4.66*
Pigs (live weight)†	66.19p	+0.54*
London daily sugar (raw)	$296.6y	-4.4
London daily sugar (white)	$330.0y	-1.5
Tate and Lyle export price	£287.5	-3.5
Barley (English feed)	£118.0t	
Maize (US No. 3 yellow)	£180.5	
Wheat (US Dark Northern)	Unq.	
Rubber (Sep)♥	53.75p	-0.25
Rubber (Oct)♥	54.25p	-0.25
Rubber (KL RSS No 1 Aug)	227.0m	-0.5
Coconut oil (Philippines)§	$465q	
Palm Oil (Malaysian)§	$370z	-5
Copra (Philippines)§	$305z	
Soyabeans (US)	£159	+2
Cotton "A" index	79.20c	-0.25
Wooltops (64s Super)	390p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Oct/Dec u-Sep z-Jul/Aug y-Aug/Sep x-Aug t-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	290.00	270.00	290.00	245.00
Oct	211.80	210.60	212.00	208.40
Dec	203.00	198.00	198.00	
Mar	195.00	194.80	194.20	192.00
May	197.60	198.20	195.80	
Aug	200.00	199.80	197.00	195.60
Oct	200.00	194.80	193.60	
White	**Close**	**Previous**	**High/Low**	
Oct	284.0	283.0	284.8	282.5
Dec	276.0	274.5	275.5	274.5
Mar	274.0	274.5	274.5	274.0
May	275.4	276.0	276.0	274.0
Aug	274.9	275.5	275.5	274.0
Oct	259.9	260.5	261.0	259.4

Turnover: Raw 503 (1907) lots of 50 tonnes. White 1060 (1484)
Paris- White (FFr per tonne): Oct 1684

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Sep	19.43	19.57	19.59	19.37
Oct	19.54	19.58	19.63	19.48
Nov	19.61	19.64	19.65	19.47
Dec	19.66	19.51	19.70	19.46
Jan	19.46	19.48	19.46	19.45
Apr	19.36	19.27	19.36	19.29
IPE Index	19.61	19.65	19.61	

Turnover 22498 (21336)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Aug	185.50	185.75	185.50	183.50
Sep	186.25	186.50	186.25	184.25
Oct	188.25	188.75	188.25	
Nov	189.75	189.50	190.00	187.75
Dec	190.75	190.50	191.00	188.25
Jan	187.25	186.75	186.75	186.50
Feb	181.50	181.50	181.50	
Mar	176.00	176.75	176.00	
Apr	173.75	173.00	173.75	173.00

Turnover 5946 (4422)lots of 100 tonnes

JUTE
August/September c and f Dundee BTC $470, BWC $470, BTD $440, BWD $435; c and f Antwerp BTC $455, BWC $450, BTD $430, BWD $425.

COTTON
Liverpool- Spot and shipment sales for the week ended July 26 amounted to 93 tonnes, against 203 tonnes in the previous week. Trading was mainly at a low level, with sales in Pakistani, American and Israeli growths.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Jul	630	633	623	
Sep	642	648	646	635
Dec	677	687	684	674
Mar	712	722	717	708
May	733	739	736	728
Jul	749	758	755	749
Sep	768	778	776	767

Turnover: 5016 (10260) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 29 822.42 (825.27) 10 day average for Jul 30 787.20 (783.36)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Jul	517	520	520	515
Sep	538	534	539	534
Nov	559	557	560	556
Jan	578	574	579	574
Mar	592	588	592	588

Turnover: 3147 (2170) lots of 5 tonnes
ICO indicator prices (US cents per pound) for July 29 : Comp. daily 63.30 (63.39). 15 day average 64.14 (64.26)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	98.5	98.5	98.5	98.0

Turnover 86 (92) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low	
Aug	127.00	125.00	127.00	
Dec	135.50	137.00	135.50	134.00

Turnover 284 (43) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Jul	1486	1491	1490	
Aug	1501	1495	1500	1490
Oct	1606	1605	1610	1600
Jan	1618	1612	1615	1612
Jul	1385	1380	1390	
BFI	1474	1485	1474	

Turnover 66 (33)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Nov	114.45	114.60	114.50	114.40
Jan	117.80	117.85	117.90	117.85
Mar	121.00	121.00	121.00	
May	124.00	123.85	124.00	
Barley	**Close**	**Previous**	**High/Low**	
Sep	109.60	109.70	109.70	109.60
Nov	113.50	113.60	113.60	113.50
Mar	119.25		119.30	
May	120.90		120.90	

Turnover: Wheat 74 (122), Barley 87 (35).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	90.0	89.8	90.5
Sep	98.5	97.5	98.0
Nov	105.0	104.5	105.0

Turnover: 27 (47) lots of 3,250 kg

HGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	137.77	138.08			
Sep	139.00	140.10	139.60	139.00	105
Oct	139.50	140.40	139.50	139.30	115
Dec	140.00	141.30	140.00		30

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 24,532 lots
Cash	1263-5	1263-5		1262-3		
3 months	1296-7	1296-7	1297/1293	1294-5	1295-6	107,018 lots
Copper, Grade A (£ per tonne)						Total daily turnover 27,529 lots
Cash	1322-4	1335.5-6.5	1329/1323	1327.5-8		
3 months	1341.5-2	1350.5-1	1347/1340	1340-0.5	1346-7	128,023 lots
Lead (£ per tonne)						Total daily turnover 4,267 lots
Cash	322-3	325-7		322.75-3		
3 months	334-4.25	336-7	336/334	334-4.25	335-5	15,280 lots
Nickel ($ per tonne)						Total daily turnover 3,067 lots
Cash	8075-85	8100-10		8075-80		
3 months	8100-5	8125-30	8150/8100	8105-10	8100-5	13,834 lots
Tin ($ per tonne)						Total daily turnover 2,351 lots
Cash	5655-65	5690-700		5660-70		
3 months	5745-50	5780-5	5770/5750	5750-60	5740-5	7,067 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 7,833 lots
Cash	1055-7	1056-7	1053	1052-3		
3 months	1072-3	1074-5	1076/1070	1071-1.5	1072-3	27,555 lots

LME Closing £/$ rate:
SPOT: 1.6802 3 months: 1.6699 6 months: 1.6459 9 months: 1.6309

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	362.40-362.90	
Opening	362.10-362.50	
Morning fix	362.30	214.658
Afternoon fix	361.35	214.260
Day's high	362.70-363.10	
Day's low	360.90-361.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.46	6 months	5.35
2 months	5.41	12 months	5.30
3 months	5.40		

Silver fix	p/fine oz	US cts equiv
Spot	240.20	404.75
3 months	240.75	410.70
6 months	253.15	417.10
12 months	265.90	430.20

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	361.50-362.50	214.50-215.50
Maple leaf	369.50-370.50	219.00-219.50
New Sovereign	87.25-88.25	51.75-52.25

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1200	84	123	3	12
1300	16	57	36	44
1400	2	20	118	105
Copper (Grade A)	**Calls**		**Puts**	
2150	106	120	12	58
2250	42	70	47	103
2350	11	36	116	168
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
500	7	63	19	5
550		78	62	20
600		10	112	52
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
625	26		9	
650	12	56	20	29
675	5	43	38	41
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1900			18	39
1950	32		35	66
2000	11	36		

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	5985	5972	6010	5940
Dec	6290	6275	6300	6240
Jan	6305	6295	6310	6260
Feb	6175	6160	6180	6130
Mar	5925	5900	5925	5875
Apr	5700	5680	5700	5655
May	5535	5515	5535	5490

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1017	1027	1022	1006
Dec	1073	1083	1078	1064
Mar	1118	1130	1120	1108
May	1145	1159	1150	1138
Jul	1173	1188	1173	1161
Sep	1193	1218	1195	1188
Dec	1235	1251	0	0
Mar	1281	1297	0	0
May	1307	1323	0	0

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	362.3	363.4	362.4	360.8
Sep	364.2	365.3	363.5	363.5
Oct	366.1	367.1	366.3	364.0
Dec	369.6	370.8	370.0	367.8
Feb	373.3	374.4	373.0	371.7
Apr	376.6	377.8	375.1	375.0
Jun	380.2	3381.3	0	0
Aug	383.8	384.9	0	0
Oct	387.3	388.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	362.9	367.5	363.5	358.5
Jan	367.3	372.0	368.0	364.5
Apr	371.3	376.0	371.0	368.5
Jul	375.2	379.9	0	0
Oct	383.2	387.9	379.0	379.0
Oct	387.9	387.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	404.1	406.0	401.0	401.0
Sep	405.5	408.5	407.0	401.5
Dec	413.4	415.4	414.0	406.5
Jan	414.9	416.9	0	0
Mar	421.0	423.1	420.0	418.5
May	426.1	428.3	424.0	422.5
Jul	436.8	433.6	429.5	429.5
Sep	436.8	439.1	435.5	433.0
Dec	445.6	447.9	444.0	442.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	100.10	100.50	100.50	99.95
Sep	100.40	100.70	100.80	100.15
Oct	100.05	100.25	100.25	100.25
Nov	99.75	100.00	0	0
Dec	99.50	99.75	0	99.25
Jan	99.05	99.30	99.30	99.30
Feb	98.55	98.80	0	0
Mar	98.15	98.45	98.40	97.95
Apr	97.65	97.95	0	0
May	97.15	97.45	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	21.40	21.35	21.50	21.16
Oct	21.39	21.28	21.45	21.11
Nov	21.35	21.19	21.37	21.10
Dec	21.29	21.10	21.30	21.02
Jan	20.93	20.97	20.93	20.93
Feb	20.94	20.84	20.85	20.78
Apr	20.82	20.59	20.62	20.60

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	82.10	82.10	82.70	81.30
Dec	85.75	85.50	86.15	84.85
Mar	89.00	88.80	89.10	88.30
May	91.25	90.90	91.45	90.50
Jul	94.25	93.65	93.70	93.00
Sep	95.75	95.00	95.00	95.00
Dec	97.00	98.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.39	9.28	9.42	9.20
Mar	8.78	8.75	8.81	8.66
May	8.79	8.76	8.82	8.73
Jul	8.80	8.80	8.80	8.79
Oct	8.60	8.76	8.80	8.80

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	68.44	69.91	68.50	67.75
Dec	68.96	70.62	69.00	68.25
Mar	70.45	71.60	70.45	69.80
May	71.00	68.45	71.00	70.60
Jul	71.75	67.85	71.75	71.20
Oct	66.75	0	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	118.20	119.65	120.35	118.05
Nov	118.20	118.60	119.80	118.20
Jan	117.30	117.55	118.20	117.30
Mar	118.10	118.45	118.50	118.50
Jul	118.05	119.30	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

July 30	July 29	mnth ago	yr ago
1718.2	1721.6	1745.6	1797.2

DOW JONES (Base: Dec. 31 1974 = 100)

	July 29	July 26	mnth ago	yr ago
Spot	121.36	121.27	129.17	130.79
Futures	123.86	123.59	125.02	131.97

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	575/2	582/0	583/0	571/4
Sep	580/0	588/2	587/4	577/4
Nov	591/4	598/0	598/0	587/0
Jan	600/6	607/2	607/4	598/0
Mar	610/4	617/0	617/4	609/0
May	619/0	625/0	624/0	616/0
Jul	623/0	628/0	629/0	621/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	20.78	21.44	21.20	20.75
Sep	21.00	21.62	21.40	20.98
Oct	21.07	21.85	21.53	21.05
Dec	21.53	22.06	21.94	21.50
Jan	21.66	22.12	22.05	21.66
Mar	21.97	22.48	22.35	21.95
May	22.21	22.70	22.60	22.21
Jul	22.55	22.81	22.85	22.50

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	179.1	180.9	180.2	177.9
Sep	178.5	180.2	180.5	177.8
Oct	178.6	180.3	180.5	178.0
Dec	179.7	181.1	181.5	178.5
Jan	179.6	181.7	181.5	179.0
Mar	181.0	183.5	182.0	180.0
May	180.5	183.0	183.0	180.5
Jul	181.5	183.5	183.0	181.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	253/4	256/6	256/4	253/0
Dec	258/2	262/2	262/0	258/0
Mar	265/2	269/2	268/2	264/6
May	268/0	271/4	271/6	267/6
Jul	270/2	274/0	273/4	270/0
Sep	257/0	260/0	263/0	257/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	291/6	290/6	292/6	287/4
Dec	306/0	305/0	307/4	301/0
Mar	312/6	311/6	313/4	308/0
May	309/0	309/0	310/0	304/0
Jul	303/4	303/6	305/4	301/6

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	70.62	71.35	71.30	70.55
Oct	73.10	73.80	73.60	73.05
Dec	75.22	75.95	75.80	75.15
Feb	75.02	75.56	75.17	74.85
Apr	75.55	75.75	75.72	75.20
Jun	73.60	73.62	73.65	73.45

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	53.75	53.57	53.80	53.17
Oct	45.27	44.85	45.50	44.65
Dec	45.05	44.75	45.25	44.65
Feb	45.10	46.00	45.22	44.70
Apr	43.25	43.12	43.35	42.95
Jun	47.65	47.60	47.75	47.45
Jul	47.70	47.85	47.70	47.50

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	43.15	44.60	45.40	42.85
Feb	51.15	50.32	52.32	50.30
Mar	50.65	50.10	52.10	50.00
May	51.30	50.10	52.10	50.80
Jul	52.20	50.50	52.50	0
Aug	47.00	45.50	47.50	0

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LONDON STOCK EXCHANGE

FT-SE unable to hold above 2,600

By Terry Byland, UK Stock Market Editor

ANOTHER attempt by the UK stock market to move convincingly into higher ground was halted yesterday when traders caught the hint that Ofwat, regulatory authority to the water industry, would take a strong line today on the dividend and financing policies of the recently privatised water companies. Earlier, equities had stood up well to a discouraging survey of business opinion by the Confederation of British Industry. The late setback was offset, however, by US demand for London blue chips as Wall Street made a strong start to the new session.

The final reading put the FT-SE Index at another new high of 2,595.6, but only just; the early gain of nine points had been whittled away to a mere 0.6 in late trading as the water issues reacted sharply to the hints that Ofwat would expect the industry to operate with a lower rate of dividend growth and a higher proportion of debt.

Equities were clearly in a more cautious mood yesterday in the wake of Monday's unexpected warning from Barratt Developments of a loss ahead. This news took some institutional investors unawares and inspired further losses in the building sector yesterday, although Barratt shares steadied with the help of a recommendation from the company's brokers.

Across the range of the market, share prices opened lower as the CBI report that business confidence was still falling cast a cloud over the revival of optimism for a bottoming-out of recessionary pressures. The Footsie Index receded by 4.7 points, until the mood was changed by another strong opening in the stock index futures market.

Backed up also by a modest buying programme, share prices climbed, and the gain of nine points took the index to 2,604, its second foray above the 2,600 testing point which is still the year-end forecast of several leading securities analysts.

However, genuine investment demand for equities was no more than moderate and share prices began to drift off their best levels. The firm opening on Wall Street unfortunately clashed with the first hints in the London market of the impending Ofwat report, of which there was no confirmation yesterday.

The nervous mood opened the way for a cluster of sudden bear movements mostly in the second line issues, pushing the Footsie Index into negative territory again very briefly. In very late deals, however, the market steadied as the Dow Industrial Average gained 20 points to exceed the 3,000 mark in early trading. Traders reported some determined buying of US-orientated blue chips from US sources.

Seaq volume increased towards the close to give a final total for the day of 507.9m shares compared with 529.4m on Monday. Traders believed that customer, or retail activity in London equities had yesterday fallen somewhat from the £1bn recorded for Monday's session. Retail business, the life blood of the securities industry, has proved erratic over recent weeks, but the £1bn daily figure regarded as the minimum for a profitable market was exceeded twice last week.

Among stocks to remain firm at the close were, in addition to such US orientated sectors as the pharmaceuticals, the domestic store groups which reflect optimism over consumer spending trends.

Account Dealing Dates		
*First Dealings:		
Jul 15	Jul 29	Aug 12
Option Declarations:		
Jul 25	Aug 8	Aug 29
Last Dealings:		
Jul 26	Aug 9	Aug 30
Account Day:		
Aug 5	Aug 19	Sep 9

*New-time dealings may take place from 8.30 am two business days earlier.

Setback in water issues

WATER SHARES fell sharply in heavy volume just before the close of trade as suggestions spread through the market that Ofwat, the regulatory body for the industry, would attempt to control dividend growth.

Fears that Ofwat's attention would turn from the expected price formula based on the retail prices index left Severn Trent, for example, 18 lower at one point. But the share price fall drew in buyers as analysts and salesmen argued that no mechanism existed for direct control of dividends.

Severn Trent ended just 6 down on balance at 332p, while Thames rallied from a day's low of 373p to end at 381p for a net decline of 6. Trading activity, which had been low for most of the session, ballooned in the last hour of trade, with Severn Trent volume totalling 3m shares on the day.

Builders suffer

The impact of Barratt Developments' warning that it would be unable to pay a final dividend continued to reverberate around the building and construction sector, with some of the leaders marked lower.

Any company where there are worries that there may be insufficient earnings to cover dividend payments came under pressure. This included Costain, down 7 at 139p, Crest Nicholson, 10 weaker at 39p, Higgs & Hill, off 7 at 243p, and McAlpine, 5 cheaper at 246p.

Building companies which are considered to be on a sounder financial footing moved ahead, with Taylor Woodrow improving 5 to 228p.

There was active two-way trading in Barratt as some institutional holders continued to reduce their holdings. But a buy recommendation from County NatWest weighed more heavily in the balance and the stock closed 4 higher at 38p on turnover of 17m.

Trafalgar House, which tends to receive around a quarter of its turnover from its Ideal Homes housebuilding subsidiary, fell 8 to 217p.

Activity in oils

Shares in Enterprise and Ultramar moved in opposite directions as analysts at Hoare Govett chose to differ from their rivals at other securities houses by predicting that crude oil prices would not move sharply higher during the autumn. County NatWest, for example, predicted yesterday that falling Soviet oil production would add to the strength of the crude price. It raised its forecast for 1991 Brent crude average by $1 to $20 a barrel.

Hoare, whose 1991 figure is "below $20", argues that Iraq will eventually be allowed to export some oil and that widespread forecasts of an oil price rise were encouraging a build-up of stocks which would in turn smooth out the increase.

Hoare downgraded almost the whole of the oil sector. Its only buy recommendation is Ultramar, which the broker described as "severely oversold". Although the company was losing money this year, this was largely attributable to stock losses. "On 1992 cash flows the shares are looking cheap," Hoare said. Ultramar firmed 4 to 274p while Enterprise gave up 5 to 528p and Lasmo slipped 12 to 339p.

US buyers helped Glaxo to produce one of the best performances of the day in the FT-SE 100. Traders said the stock continued to benefit from a preliminary announcement in its favour in a patent dispute with SmithKline Beecham. Glaxo climbed 24 to 1279p, while SmithKline firmed 3 to 815p ahead of interim results today.

One of the most highly rated stocks in the market, drug company Medeva, pushed further ahead on news of a recommendation from a US broker. The shares, which rose 8 to 171p, are trading at a yield of less than 0.6 per cent.

Midland Bank was the only strong stock in the sector as it continued to benefit from Monday's announcement that it was in talks with Allied Dunbar, the life assurance and unit-trust subsidiary of BAT Industries. The shares rose 4 to 212p on heavy turnover of 7m. BAT eased a penny to 741p.

Barclays Bank lost 3 to 477p after UBS Phillips & Drew suggested that the shares had reached a level at which investors should consider taking profits. Mr Peter Toeman of UBS said the half-year results – due tomorrow – were unlikely to be as positive as those from Lloyds last week, and any good news was already in the price. Lloyds, which had picked up sharply since its interims, shed a penny to 363p.

NatWest lost 7 to 320p on turnover of 4.7m ahead of interims next week. The stock has seen good two-way business as bullish investors bought for recovery, but the market decided that the time had come to take profits.

Press comment on the number of people behind with their mortgage affected Abbey National ahead of the interims today. The stock lost 3 to 303p.

Sun Alliance gained 6 to 368p on turnover of 3.1m after one securities house crossed 1m shares at 366½p.

Insurance broker Lowndes Lambert was 5 better at 305p. Trading in the shares began on Monday with an issue price of 290p and an opening price of 314p.

Shell Transport put on 4 to 542p ahead of second-quarter results due on August 8.

John Mowlem weakened 16 to 219p as Hoare Govett reduced its profits estimate for the current year by £5m to £20m. Hoare believes that in spite of the depression in the construction industry Mowlem will be able to pay a dividend.

W. Canning, the specialty chemicals and electronic components distribution group, gained 10½ to 138½p after securities house Smith New Court bought the stock as part of a programme trade in second-line stocks.

Reports that the price of platinum had fallen below the price of gold focused attention on Lonrho, which slipped 7 to 249p. One observer said sentiment was made more gloomy by speculation that the US may be about to offload some of its strategic stockpile of platinum and drive the price down further.

The market felt that Inchcape had risen too far in spite of the good performance of Toyota in the UK and the shares lost 4 to 380p.

A good run for Williams Holdings came to a halt as profit-takers brought the price down 8 to 323p.

Carpet manufacturer Victoria Carpet Holdings jumped 19 to 124p after announcing a maintained dividend.

Cramphorn, the garden centre chain, blossomed 5 to 78p as the shares recovered from a recent profits warning.

Vickers lost 10 to 200p on busy turnover of 3.5m, having been even lower, after UBS Phillips & Drew cut profits expectations because of the fall in car sales experienced by Vickers' subsidiary, Rolls-Royce Motor Cars. The broker cut its current year forecast by £12m to £28m. It expects £54m next year.

Bargain hunters helped British Aerospace bounce from Monday's fall and the shares ended 2 better at 570p on turnover of 1.2m. Many analysts are lowering profit expectations, following the lead set by Hoare Govett, BAe's broker. There were hints that UBS Phillips & Drew had cut its current year forecast from £340m to £260m.

The combination of a squeeze and the return of bid speculation lifted Hawker Siddeley 12 to 594p. TI gave up 14 to 555p in nervous trade ahead of tomorrow's interim figures, which analysts expect will show a decline.

Turnover in BBA Group rose to 3.4m as the shares gave up 1¼ to 134p. A block of 1.5m was traded at 129¾p.

J. Sainsbury rose 6 to 371p as County NatWest raised its current year forecast by £8m to £635m due to the group's strong trading performance. Ranks Hovis McDougall recovered from early weakness following a French newspaper report that it was negotiating to buy the frozen cake division of the Bouygues group. Analysts said RHM could expect to pay £20m to 30m and would help RHM to increase its presence in Europe. RHM closed unchanged at 278p.

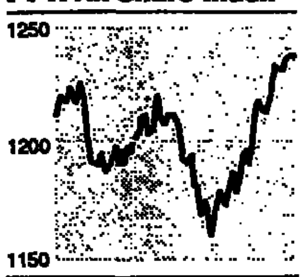
James Capel, the brokerage house, reiterated its positive opinions on Forte and Rank Organisation, 3 better at 274p and 680p respectively. Buy the sector ahead of the good news rather than on hearing it, was the view of the agency broker.

USM-quoted mining company Monarch Resources continued to benefit from an encouraging annual meeting on Monday and the shares firmed another 8 to 173p, their highest level since November last year.

MARKET REPORTERS:
Daniel Green, Peter John,
Joel Kibazo,
Jim McCallum.

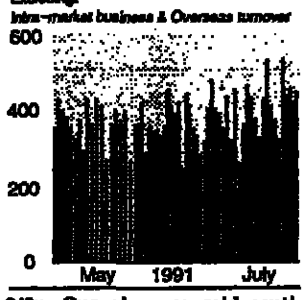
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 18.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (91).
BRITISH FUNDS (4) Fdg. 3½pc 1999-04, Cnv 9pc 2011 A, Treas. 2pc IL 1992, Treas. 2pc IL 1994, AMERICANS (2) Houston Inds., Rep NY, Unilab, STORES (8) Coats Viyella, Dixons, Era, Fine Art Devs., Martin (A), Reject Shop, Sherwood, Stirling, ELECTRICALS (7) Bennett & Fountain, Blick, Delta, Domino Printing, Multitone, Real Time Control, Thorn EMI, ENGINEERING (4) Fairey, Hill & Smith, Meggitt, Rotork, FOODS (8) Assoc. Brit. Foods, Cranswick Mill, Dalepak, Northern Foods, Salvesen (Ch), Shoprite, Sims, Tate & Lyle, INDUSTRIALS (20) Assoc. Brit. Ports, BET, BSS, BTR, Brit. Polythene, De La Rue, Halstund Nycomed A, Do. B, ISS-Intl Servs, Sys B., Kalon, Johnson Cleaners, Medeva, Paterson Zochonis, Relyon, Siebe, Silentnight, TT, Tomkins (FH), Do. 5.6pc Prf., Worthington (AJ), PAPERS (2) Clondalkin, Usher-Walker, TEXTILES (3) Readicut, Victoria Carpets, TRANSPORT (1) CSX, TRUSTS (15) Alliance Tst., American Tst. B, Finlay (J), Fleming Japanese, Investors Capital, JF Fldg. Wrrnts., Keystone Invs., Korea Libr., M & G, Merchants Tst., Mercury Assets Mgmt., Monks Inv., Personal Assets, Second Alliance, TR Pacific, OILS (2) Pan Pacific, Shell Trans., MINES (5) Antofagasta, Jason, MIM, Monarch Res., RTZ.
NEW LOWS (44).
CANADIANS (1) Imperial Oil, BANKS (2) King & Shaxson, Reflex Invs., BREWERS (1) Macallan-Glenlivet, BUILDINGS (5) Costain, Crest Nicholson, Higgs & Hill, Mowlem (J), Ward Grp., ELECTRICALS (1) Plasmec, ENGINEERING (2) Bailey (CH), Ransomes, FOODS (2) Carr's Milling, Global, INDUSTRIALS (8) Clearmark, Hadleigh, Levercrest, Melville, Mosaic Invs., Photo-Me, Porth, Ross, INSURANCE (1) FAI, LEISURE (3) TV-am, Tyne Tees, Yorkshire TV, NEWSPAPERS (1) Sterling Publishing, PAPERS (2) Unit, VTR, PROPERTY (4) Clayform, Grainger Tst., Mountleigh 5.25pc Prf., Trafford Park, TEXTILES (1) West Tst., TRUSTS (6) Drayton Cons., Ensign, Do. B, Foreign & Col. German Wrrnts., Murray Ventures, New Frontiers Dev., OILS (4) AmBrit Intl., Cliff Wrrnts., Premier Cons., Richmond.

FINANCIAL TIMES STOCK INDICES

	July 30	July 29	July 26	July 25	July 24	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	84.78	84.82	84.86	84.74	84.70	79.63	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.96	94.03	94.04	93.95	94.40	87.94	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	2011.8	2011.3	2003.5	1998.2	1999.5	1844.5	2014.5 (5/4)	1808.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	181.2	187.3	183.8	188.6	198.6	185.1	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2595.6	2595.0	2589.3	2579.8	2580.5	2326.2	2595.6 (30/7)	2054.8 (16/1)	2595.6 (30/7/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1172.18	1170.50	1167.37	1168.01	1171.12	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.70	4.71	4.74	4.74	4.74	5.06				
●Earning Yld %(full)	8.07	8.09	8.13	8.14	8.33	10.98				
●P/E Ratio(Net)(☆)	15.31	15.28	15.21	15.18	14.76	11.06				
SEAQ Bargns 4.45pm	31,496	32,474	34,695	29,383	32,313	19,381				
Equity Turnover(£m)†	-	1030.38	931.79	958.18	1038.34	592.36				
Equity Bargains†	-	33,182	35,589	31,000	33,581	18,529				
Shares Traded (ml)†	-	448.2	428.9	454.8	433.4	253.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 14.83

Ordinary Share index, Hourly changes Day's High 2020.1 Day's Low 2007.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2012.7	2009.4	2012.1	2019.6	2018.3	2017.9	2017.5	2014.8	2009.7

FT-SE 100, Hourly changes Day's High 2604.0 Day's Low 2590.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2595.3	2592.2	2595.9	2602.6	2601.9	2602.0	2601.3	2599.8	2592.3

FT-SE Eurotrack 200, Hourly changes Day's High 1174.30 Day's Low 1171.71

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1172.38	1171.84	1173.81	1173.89	1173.06	1173.45	1173.00

GILT EDGED ACTIVITY

Indices*	July 29	July 26
Gilt Edged Bargains	76.2	83.3
5-Day average	81.9	83.6

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	112	518	-2
ASDA Group	6,900	82	+1
Abbey National	981	303	-3
Albert Fisher	95	118	
Allied-Lyons	4,900	579½	+8½
Amstrad	2,300	50	
Anglian Water	2,000	372	-4
Argos	231	324	-1
Argyll Group	2,900	213	+1
Arjo Wiggins	1,200	286	-1
Ass. Brit Foods	684	548	+2
BAA	1,000	437	-4
BAT Inds.	880	741	-1
BET	2,500	224	+1
BICC	1,900	465	-13
BOC	1,500	573	-1
BPB Inds.	826	197	-3
BTR	2,300	424	-2
Bank of Scotland	1,700	118	-1
Barclays	2,300	477	-3
Bass	2,200	917	+13
Beazer	1,800	34	-6
Beneficial Int	4,000	38	
Blue Circle	1,500	266	+2
Booker	123	480	
Boots	1,100	421	-1
Bowater	55	661	-2
Brit. Aerospace	1,200	570	+2
British Airways	1,800	173	-2
British Gas	8,500	273½	+½
British Land	2,800	286	-1
BP	2,400	346	-1
British Steel	2,800	121	-½
British Telecom	7,700	390	-1½
Bunzl	1,300	92	
Burmah Castrol	186	578	+6
Burton	4,500	34½	
Cable & Wire.	3,100	575	+6
Cadbury	1,800	389	-2
Calor Group	258	228	+1
Carlton Comms.	347	477	+1
Coats Viyella	1,700	186	-1
Comm. Union	144	513	+2
Cookson	82	112	-5
Courtaulds	196	439	-1
Dalgety	1,401	387	-1
De La Rue	230	441	+2
Dixons	7,500	249	+2
ECC Group	182	451	-4
Eastern Elect	1,900	180½	-4½
East Midlands Elect.	1,400	251½	-7½
Enterprise Oil	565	528	-5
Eurotunnel Units	185	415	+6
FKI	545	63	+1
Ferranti	874	8½	
Fisons	360	499	+1
Forte	3,200	274	+3
Gen. Accident	186	529	
General Elect	3,200	183½	+1
Glaxo	2,900	1279	+24
Glynwed Int.	945	239	
Granada	839	150	-1
Grand Met.	4,200	762	+2
GUS A	146	1333	+10
GRE	2,700	153	
GKN	427	352	-3
Guinness	1,300	984	+4
Hammerson 'A'	5	608	+1
Hanson	6,900	210½	-2½
Hanson Warrants	73	34½	-½
Harrisons Crosfield	772	159	+1
Hawker Sidd	632	594	+12
Hillsdown	1,300	233	-1
IMI	80	292	
ICI	1,800	1333	+2
Inchcape	871	380	-4
Kingfisher	482	532	-2
Ladbroke	1,600	277	-1
Land Securities	2,600	511	-2
Laporte	112	544	-1
Legal & General	321	436	+6
Lloyds Abbey	377	427	+4
Lloyds Bank	2,100	363	-1
LASMO	1,700	339	-12
London Elect.	1,000	199	-2½
Lonrho	2,800	249	-7
Lucas	3,200	140	
MB Caradon	171	240	+1
MEPC	370	481	-3
[illegible]	558	259	-3
Marks & Spencer	2,800	284½	+1½
Maxwell Comms	808	200	-2
Midland Bank	7,000	212	+4
Midlands Elect.	1,200	238	-3
NFC	1,300	178	+3
NatWest Bank	4,700	320	-7
National Power	8,500	154	-½
Next	4,500	35	
North West Water	1,900	362	-8
Northern Elect.	554	210	-8
Northern Foods	457	499	+3
Norweb	806	221	-5
Pearson	504	790	
P & O	663	586	-5
Pilkington	641	155	+1
PowerGen	5,800	159	-½
Prudential	2,300	248	+1
RHM	1,000	276	
RMC	386	688	-3
RTZ	2,800	598	+5
Racal	2,300	218	-3
Racal Telecom	252	348	-2
Rank Org.	1,200	680	+3
Reckitt & Colman	536	889	-1
Redland	680	583	-8
Reed Intl.	784	457	-5
Rentokil	1,100	340	
Reuters	2,400	767	+10
Rolls Royce	254	155	+1
Rothmans	1,100	1058	+3
Ryl Bk Scotland	536	186	-2
Royal Insurance	2,000	395	-2
Saatchi	1,400	17½	
Sainsbury	665	371	+6
Scottish & New.	5,000	409	+2
Scot. Hydro-Elect.	11,000	114	+½
Scottish Power	2,700	108½	+1
Sears	0	85½	
Sedgwick	1,100	274	+8
Seaboard	301	211	-5
Severn Trent Water	3,000	332	-6
Shell Transport	7,100	542	+4
Siebe	145	488	+1
Slough Ests	757	283	
Smith (W.H.) A	668	452	
Smith & Nephew	1,700	137	-½
SmKl Beecham	2,600	815	+3
SmKl Beecham Uts.	541	[illegible]	+28
Smiths Inds.	427	288	-2
Southern Elect.	1,400	207½	-2
South Wales Elect.	482	246	-7
South West Water	1,200	344	-9
South West. Elect.	388	208	-5
Southern Water	1,300	318	-9
Standard Chartd	120	341	
Storehouse	1,700	113	-1
Sun Alliance	3,100	368	+6
T&N	150	154	
TI Group	634	555	-14
TSB	2,300	144	-1½
Tarmac	5,000	221	-10
Tate & Lyle	2,200	386	+2
Taylor Woodrow	177	228	+5
Tesco	2,000	274	-1
Thames Water	1,700	381	-6
Thorn EMI	720	776	+6
Tomkins	809	382	+3
Trafalgar House	1,900	217	-8
Ultramar	981	273½	+3½
Unigate	329	288	
Unilever	1,200	780	-4
United Biscuits	1,000	389	-3
Utd. Newspapers	3,300	369	+4
Wellcome	835	718	-6
Welsh Water	477	387	-9
Wessex Water	364	381	-7
Whitbread 'A'	476	488	+2
Williams Hldgs.	1,200	323	-8
Willis Corroon	330	315	+3
Wimpey	380	168	-1
Yorkshire Elect.	675	246	-3
Yorkshire Water	1,192	381	-5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

FT-SE 100 index futures kept up a strong lead over the stock market yesterday, while the traded options market saw activity in British Gas and Ladbroke, writes Jim McCallum.

For much of the session the September FT-SE contract traded at a 30 to 35-point premium to the spot index, which was slightly less than the previous day but still considerably above the 20 to 22-point fair value premium.

Around mid-session futures moved ahead in line with the cash market as dealers anticipated a stronger performance by Wall Street.

In the event US shares rallied but the market lost its confidence after the decline in water shares. But a late burst by Wall Street allowed futures to regain most of their losses.

September FT-SE closed at 2,628, down 1 point on the day.

Despite the equity market's hesitancy, September's closing premium of 36 points indicated that the recent build up of bullish sentiment has not evaporated and further gains in equities are anticipated.

In the traded options market the main features were a technical trade in FT-SE December 2,725 calls and activity in British Gas September 280 puts and Ladbroke January 300 calls.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
100⅛	99⅝	Exch. 11pc 1991	100	.....	11.00	10.63
99¾	96⅝	Treas. 8pc 1991	99⅛	.....	8.07	10.28
101¾	100⅝	Treas 12¾pc 1992‡‡	100¾	-⅛	12.63	10.49
99⅞	97⅝	Treas 10pc 1992	99⅞	-⅛	10.03	10.46
98⅜	95⅝	Treas. 8pc 1992‡‡	98⅛	-⅛	8.13	10.29
100⅞	98⅞	Treas 10½pc Cv 1992‡‡	100	-⅛	10.50	10.37
95⅝	91⅝	Treas. 3pc 1992	95⅝	-⅛	3.14	8.29
102⅞	100⅝	Exch. 12¼pc '92	101⅞xd	.....	12.01	10.25
104⅛	102⅞	Exch 13½pc 1992	103⅛	.....	13.07	10.28
97⅞	94	Treas 8¼pc 1993	97¼xd	-⅛	8.48	10.18
99⅞	97⅛	Treas 10pc 1993‡‡	99⅝	-⅛	10.04	10.21
104⅞	102⅛	Treas 12½pc 1993‡‡	103⅞	-⅛	12.03	10.20
93⅝	89⅝	Funding 6pc 1993‡‡	93⅝	-⅛	6.41	9.33
108⅛	105⅝	Treas 13¾pc 1993‡‡	106⅞	-⅛	12.86	10.24
96⅞	92⅞	Treas. 8½pc 1994	96⅛xd	-⅛	8.83	10.16
111⅝	108⅞	Treas 14½pc 1994‡‡	109⅝xd	-⅛	13.23	10.20
109	105⅞	Exch 13½pc 1994	107⅞	.....	12.55	10.23
99⅞	96⅞	Treas. 10pc Ln. 1994‡‡	99½	.....	10.05	10.18
106⅞	103⅝	Exch. 12½pc 1994	105¼xd	+⅛	11.82	10.26
96⅝	93¼	Treas 9pc 1994‡‡	96⅛	.....	9.32	10.21
106⅞	102⅞	Treas 12pc 1995	104⅞	.....	11.43	10.24
89	82¼	Exch 3pc Gas 90-95	86¼	.....	3.48	7.26
100⅞	96⅞	Exch. 10¼pc 1995	100	+⅛	10.25	10.24
109⅞	105⅞	Treas 12¾pc 1995‡‡	108¼	+⅛	11.76	10.26
113⅞	109⅞	Treas. 14pc '96	112⅛	.....	12.48	10.49
96⅝	92⅞	Treas 9pc 1992-96‡‡	96⅞	-⅛	9.32	9.92
119⅞	115⅞	Treas 15¼pc 1996‡‡	117⅞	.....	12.99	10.48
112¼	108	Exch 13¼pc 1996‡‡	110⅜	+⅛	12.00	10.42
Five to Fifteen Years						
100⅛	95⅞	Conversion 10pc 1996	99⅛	.....	10.10	10.21
99⅞	97⅜	Do. 10pc 1996 B	99	.....	10.11	10.26
113⅞	108⅞	Treas 13¼pc 1997‡‡	111⅞	-⅛	11.90	10.45
102⅞	97¼	Exch 10½pc 1997	100⅞xd	-⅛	10.41	10.27
94⅞	89⅞	Treas 8¾pc 1997‡‡	93⅞xd	+⅛	9.35	10.19
122⅞	117	Exch 15pc 1997	119⅞	-⅛	12.51	10.54
98⅞	93⅞	Exch. 9¾pc 1998	97⅞	.....	9.99	10.24
85⅞	80⅞	Treas 6¾pc 1995-98‡‡	85⅞	.....	7.89	9.70
127⅞	121⅞	Treas. 15½pc '98‡‡	125⅞	-⅛	12.39	10.42
109⅞	104¼	Exch. 12pc 1998	108⅞	.....	[illegible]	10.33
97⅞	92⅞	Treas 9½pc 1999‡‡	96⅞	.....	9.81	10.10
[illegible]						

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
108¼	102	Treas. 11½pc 2001-04	106⅞	+⅛	10.78	10.38
58⅞	53⅛	Funding 3½pc '99-04	58½	-⅛	5.98	8.98
97⅞	90⅞	Conversion 9½pc 2004	95½	-⅛	9.95	10.11
97¾	90⅞	Conversion 9½pc 2005	95⅞	.....	12.56	10.09
118⅜	111	Treas 12½pc 2003-05	115⅝	-⅛	10.81	10.21
Over Fifteen Years						
85⅛	79⅞	Treas. 8pc 2002-06‡‡	83⅞	+⅛	9.54	10.09
112½	105⅞	Treas. 11¾pc 2003-07	110⅝	-⅛	10.65	10.18
90⅞	84⅞	Treas 8½pc 2007‡‡	88¼	-⅛	9.63	9.98
125⅝	118⅞	Treas. 13½pc '04-08	123¼	-⅛	10.96	10.18
94⅞	88⅞	Treas. 9pc 2008‡‡	92¼	-⅛	9.76	9.93
94⅛	89⅛	Do. 9pc 2008 C	92¼	-⅛	9.71	9.94
85⅞	80	Treas 8pc 2009	83⅞	-⅛	9.55	9.93
94⅞	88⅛	Conv 9pc Ln 2011‡‡	92	.....	9.78	9.92
29⅞	29⅞	Cnv 9pc 2011 A●	29⅞	-⅛	9.75	9.74
63⅞	58⅛	Treas. 5½pc 2008-12‡‡	61⅞	.....	8.91	9.83
82¼	76⅞	Treas. 7¾pc 2012-15‡‡	80⅛	-⅛	9.65	9.91
121⅞	113⅛	Exch. 12pc '13-'17	117⅞	-⅛	10.17	9.96
Undated						
40⅛	37⅞	Consols 4pc	39¼xd	.....	10.19	-
35⅞	33⅛	War Loan 3½pc‡‡	35	-⅛	10.00	-
59⅞	57⅞	Conv 3½pc '61 Aft.	58⅞	.....	5.98	-
29⅞	28⅛	Treas. 3pc '66 Aft.	29⅛	-⅛	10.28	-
25⅛	23⅝	Consols 2½pc	24½	-⅛	10.20	-
25¼	23⅞	Treas. 2½pc	24⅞	-⅛	10.23	-

Index-Linked

1991 High	1991 Low	Stock	(b)	Price £	+ or -	(1)	(2)
131⅛	125⅞	Tr 2pc '92‡‡	(97.8)	131⅛	+⅛	0.29	4.39
118⅛	115⅞	Do. 2 '94	(102.9)	118⅛	+⅛	3.64	4.58
172⅞	168⅞	Do. 2pc '96	(67.9)	171⅛	-⅛	3.84	4.38
142⅛	137⅞	Do 2½pc '01	(78.3)	141⅛	-⅛	4.07	4.37
138⅛	133	Do. 2½pc '03	(78.8)	136⅛	-⅛	4.14	4.40
140⅛	135	Do. 2pc '06	(69.5)	138⅛	-⅛	4.21	4.42
128⅞	124⅞	Do. 2½pc '09	(78.8)	126⅛	-⅛	4.23	4.42
132⅞	128⅛	Do. 2½pc '11	(74.6)	130⅞xd	-⅛	4.23	4.41
109⅛	105⅞	Do. 2½pc '13	(89.2)	107½xd	-⅛	4.23	4.39
117⅛	113⅞	Do. 2½pc '16	(81.6)	114⅞	-⅛	4.20	4.36
[illegible]							

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, ie 8 months prior to issue and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1990: 130.0 and for June 1991: [illegible]

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
102	95⅝	African Dv Bk 11¼ Ln 2010	101⅞	.....	10.92	10.87
97⅞	91⅞	Asian Dev Bk 10¼pc Ln 2009	96⅞	-⅛	10.57	10.62
112⅞	105⅞	Int-Am Dev Bk 12½pc 2003	111⅛	-⅛	11.25	10.77
92⅞	86⅞	Do. 9¼pc Ln 2015	91⅞	.....	10.65	10.74
122	101	Utd. Mexican States 16½pc 2008	122	.....	13.52	13.47

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
103½	100½	Birmingham 11½pc 2012	101½	.....	11.33	11.30
97½	93½	GLC 6¼pc 1990-92	97½	.....	6.92	11.05
115½	110½	Leeds 13½pc 2006	114½	.....	11.79	11.40
30	28	Liverpool 3½pc Irred.	30	.....	11.67	-
27	26	LCC 3pc '20 Aft.	26	.....	11.54	-
103½	97½	Manchester 11½pc 2007	101½	.....	11.33	11.30

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
90	84½	Sth Rhod. 87-92 Assd.	90	.....	-	-

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
104½	102	N'wide Anglia 3¾pc Ln 2021	103¼	-¼	-	5.52
107	104	Do. 4.25pc IL '24	104¼	-½	-	5.17

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	52	.....	5.77	9.70

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
[illegible]						

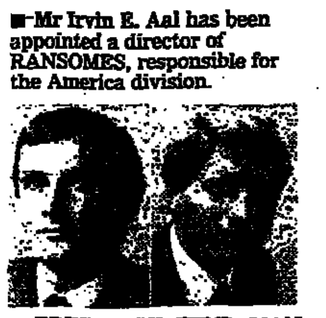
Continued on next page

APPOINTMENTS

Chairman of Vinten Group

■ Mr J. Humphrey A. Wood, a non-executive director and deputy chairman since April, has been appointed chairman of VINTEN GROUP from September 2. He has held senior posts with Consolidated Gold Fields, Hawker Siddeley Aviation and Rolls Royce, and will succeed Mr Ron Marler who is retiring.

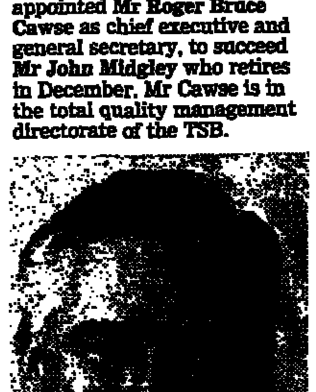
■ Mr Irvin E. Aal has been appointed a director of RANSOMES, responsible for the America division.



■ EDINBURGH FUND MANAGERS has appointed Mr Donald Hay *(left)* and Mr Tom Walker *(right)* as assistant directors from August 1. They were senior fund managers.

■ *SPIDER SYSTEMS*, Wokingham, has appointed Dr David Simpson as chairman following the resignation of Dr Peter Palmer. Dr Simpson was deputy chairman.

■ EXETER HOSPITAL AID SOCIETY, a private health insurance friendly society, has appointed Mr Roger Bruce Cawse as chief executive and general secretary, to succeed Mr John Midgley who retires in December. Mr Cawse is in the total quality management directorate of the TSB.



■ Mr Stephen Burrows *(pictured)* has been appointed THE ROYAL BANK OF SCOTLAND's local director for Liverpool, a new post. He was assistant general manager, UK banking, in Manchester, and previously was responsible for establishing the bank's first overseas branch in New York.

■ SWEETMATE, which supplies ¼lb bagged confectionery, (part of Portfolio Foods), has appointed Mr Peter Redfern as sales and marketing director. He was commercial director at Regalin.

Joining the Securities and Investments Board

■ Mr Joe Palmer, group chief executive of the Legal and General Group, and immediate past chairman of the Association of British Insurers, has been appointed to the SECURITIES AND INVESTMENTS BOARD for three years ending on July 31 1994. He retires from Legal and General in September. Lady Scott, vice-president of the Institute of Trading Standards, is appointed to SIB for a similar period. Mr John Manser is re-appointed for three years; Mr Graham Ross Russell and Mr Leonard Warwick are both re-appointed for two years; and Mr Brian Williamson is re-appointed for one year. Mr Derek Fellows retires on completion of his term of office. He will remain at SIB as a consultant until the completion of the Retail Regulation Review.

■ Lord Chalfont is to continue as chairman of VSEL CONSORTIUM for a further two years until the 1993 annual meeting.

■ Mr Simon Griffiths has been appointed treasurer of MIRROR GROUP NEWSPAPERS.

■ Mr Les Manton has been appointed managing director of Caradon Elliott. He is succeeded as managing director of Caradon L. & P. by Mr Don Perrin who was director and general manager of Caradon Rolinx. The companies are part of CARADON PLASTICS.

■ Ms Jean Wadlow, managing director of the Wadlow Grosvenor group, has been appointed to the board of SADLER'S WELLS TRUST.

■ Mr Peter Bentley has been promoted to managing director of Lovell Developments, St Albans, succeeding Mr Paul Butcher, now head of the LOVELL GROUP division incorporating Lovell Developments and Lovell Homes.

Mr Clive Snowdon *(pictured)* has been appointed finance director of HAWKER SIDDELEY's aerospace division. He was managing director of Vickers Medical International.

CONTRACTS & TENDERS

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DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

For Scott. Hydro-Electric and Scottish Power see EQUITIES under LONDON RECENT ISSUES

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

هكذا من الأصل

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LEISURE

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
557	155	[illegible] 10p	549	...	†8.25	2.9	2.0	17.2
108	71½	[illegible] Leis. 5p	93	...	F4.75	3.5	6.8	6.5
240	140	[illegible] TV	176	...	9.26	2.4	7.0	8.0
31	14	[illegible] 1p	28	...	1.5	1.1	7.4	26.7
[illegible]	4	[illegible] Hldgs 5p	6	...	–	–	–	–
178	125	[illegible] & W A T 'A'	154	...	9.75	1.6	8.4	10.0
665	425	[illegible] & Hawkes	650	–5	16.4	2.7	3.4	13.0
43	24	[illegible] T.V.	43	...	2.1	1.1	6.5	19.3
88	17	[illegible] Walker 10p	21½	–2	5.0	–	–	–
[illegible]	4	[illegible] Cv Cu Rd Pf £1	7	–1	6.0	–	–	–
[illegible]	43	[illegible] Int'l 10p	44	–2	2.1	1.8	6.4	10.3
349	183	[illegible] Int. 20p	345	...	†11.0	2.9	4.3	9.4
208	134	Capital Radio 2½p	169	...	5.25	2.9	4.1	11.1
507	380	Carlton Comms 5p	477	+1	†14.1	2.4	3.9	13.4
81	[illegible]	Do. 6.5p Prf 5p	76	–1	6.5	–	11.4	–
253	168	Castle Comms. 5p	218	...	8.5	1.7	5.2	14.6
825	488	Central ITV	795	–3	28.5	1.4	4.8	19.5
158	120	Chiltern Rad-o 10p	148	+1	†4.8	2.6	4.3	11.4
89	59	Chrysalis	76	...	z2.0	–	–	–
69	27	Citywision 5p	34	–1	1.0	7.0	4.0	4.4
[illegible]	3	[illegible]	3	–½	–	–	–	–
1275	900	Euro Disney Fr10	1270	–3	–	–	–	–
30	4	European Leis. ½25p	18	+2	1.7	2.2	15.1	2.5
44	21½	Ex Lands 10p	31	–1	–	–	–	–
47	17	Exeplor 20p	17		1.0	2.7	8.1	4.5
563	405	Fairline Boats 10p	470		21.0	4.1	6.0	5.5
276	188	First Leisure	270	+3	†5.05	2.6	2.5	18.5
253	195	GWR Group 20p	242		8.0	3.2	‡	12.6
75	50	[illegible] 10p	63	+1	4.1	♦	8.7	♦
[illegible]	5	[illegible] 1p	5		–	–	–	–
65	33	HTV Grd.	48		3.75	1.2	12.5	9.2
145	55	[illegible] Sports	137	...	5.0	2.9	4.9	9.3

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
4½	2	Abaca Grp 5p	2	...	–	–	–	–
100	78	Allied London 10p	88	...	3.55	0.5	5.9	(63.3)
95	75	Do. 5½pc Cnv Rd Pf £1	85	–2	5½%	–	9.0	–
43	11	Anglo St. James 35p	15	+1	s3.0	1.2	‡	(4.1)
90	70	Arcadian Intl	78	...	†q4.0	0.4	‡	–
106	66	Asda Property 20p	81	...	1.85	0.8	3.0	57.4
85	60	Do 5½pc Cnv Pf £1	78	...	5½%	–	9.8	–
32	18	BDA Hldgs. 10p	24	...	–	–	–	–
48	30	BHH Group 50p	38	–1	1.0	–	3.5	–
68	45	Baker Hrrts Snds 10p	54	...	2.5	♦	6.1	♦
71	52	Barlows 10p	53	...	2.48	0.6	6.2	38.7
445	325	Bilton (Percy)	445		17.44	1.5	5.2	17.6
68	51	Bolton Grp 5p	59	...	–	–	–	–
85	48	Bourne End Prop.	50		2.0	–	5.3	–
150	115	Bradford Prop 5p	148	+3	3.7	2.9	3.3	14.0
88	63	Bredero Props	63		2.4	2.7	5.1	7.9
94	44	Britannia Grp 5p	48	+2	3.0	1.2	8.3	13.3
330	255	British Land	295	–1	5.75	1.7	2.6	27.7
£113	£100	Brit Land 8½pc Cv	£108	...	Q8½%	–	8.0	–
188	151	Brixton Estate	187	+1	7.1	1.4	5.1	16.9
48	35	Burford Hldgs 1p	39	...	0.85	1.9	2.9	23.8
18	9	Cabra Ests	10½	...	0.1	–	1.3	–
366	290	Capital & Counties	332	+2	13.2	1.8	5.3	13.5
95	77	Do 5¾pc Prf £1	86	...	5.75%	–	8.9	–
135	110	Cap & Reg Prop.	110	...	0.9	0.8	1.1	–
325	225	Cardiff Prop 20p	225	...	2.4	2.5	1.4	37.1
640	475	Chesterfield	515	...	18.5	1.5	4.8	18.0
95	70	Do 5.25pc Cv Cn Pf £1	78	...	5.25	–	9.0	–
59	37	Christie Grp 2p	40	...	–	–	–	–
160	105	City Site Estates	116	–2	1.92	–	2.2	–
60	27	Clarke Nickolls	53	...	0.75	3.0	1.8	19.8
92	26	Clayform Props 5p	26	–4	2.0	–	10.3	–

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
383	331	Anglian £1	372	–4	17.5	2.2	6.3	(8.1)
170	136	East Surrey 10p	170	...	8.0	2.7	6.3	(6.4)
178	155	Mid Kent Hldgs £1	173	...	a8.0	2.8	6.2	6.6
387	322	North West £1	362	–9	18.0	q2.5	6.6	(6.7)
406	327	Northumbrian £1	378	–11	18.6	q2.9	6.6	5.8
370	300	Severn Trent £1	332	–6	17.55	3.0	7.0	5.2
397	293	Southern £1	318	–9	17.7	q2.5	7.4	(6.0)
392	308	South West £1	344	–9	20.0	q2.7	7.8	(5.3)

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
4	2½	Croesus Mining N.L.	3½	...	–	–	–
49	17	Delta Gold 25c	48	–1	–	–	–
42	28	Dominion Mining	37	...	†04c	7.8	5.2
17	11	Doral Resources	15	...	Q1c	–	3.1
4½	1½	Dragon Mining	4½	...	–	–	–
32	20	Emperor Mines	27	–2	–	–	–
5½	3	Forsayth NL	4½	...	–	–	–
35½	19½	GM Kalgoorlie 5c	31½	–½	–	–	–
47	29	Gwalia Cons. 20c	37	...	Q8c	1.6	10.1

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

10	5	Vizcaya Hldgs 5p	5	...	–	–	–	
133	120	Young Group 10p	125	...	5.2	1.7	5.6	

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¤ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or –
Craig & Rose £1	β	640	......
Finlay Pkg. 5p	β	28	......
Holt (Jos) 25p	β	1978	......
Helton Hldgs	γ	32	–1
IRG		128½	......
United Drug		172	......

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 2010	£92¼	+¼
9pc Cap Ln. 1996	£97¾	......
Fin. 13% 97/02	£112¾	......
Arnotts	172	+4

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	46
Amstrad	7
Aster (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	58
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met.	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd.	39
ICI	80
Ladbroke	22
Legal & Gen.	36
Lex Service	20
Lloyds Bank	38
Lucas Inds.	13
Marks & Spencer	21
Midland Bk.	18
Nat West Bk.	27
P & O Dfd.	41
Racal Elect.	18
RHM	20
Rank Org Ord.	63
Ratners	17
Reed Intnl.	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	48

Property

Stock	p
Brit Land	30
Control Secs.	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Stock	p
Ariva Petm.	3
Brit. Petroleum	28
Burmah Castrol	49
Conroy Petm	18
Gaelic Res.	1
Premier	6
Shell	41
Tuskar Res.	2
Ultramar	30

Mines

Stock	p
Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	48.60	48.60	51.97	-0.3	6.68
Gilts & Fixed Int	6	113.1	113.1xd	120.0	+0.3	9.58
High Inc Equity	6	133.5	137.0xd	145.7	+0.2	5.83
Worldwide Bond	6	205.7	205.7	218.0	-0.4	6.88
Capital Growth						
American Growth	6	200.2	200.2	213.8	-0.3	1.02
Asian Pacific	6	132.6	135.3	143.9	-1.7	1.09
Assets & Earnings	6	178.1	181.9	193.5	-0.8	2.99
Capital Reserve Acc	0	105.9	105.9	106.0	+0.2	7.16
Capital Reserve Inc	0	83.74	83.74	83.79	+0.14	7.16
Comdty & Energy	6	78.91	78.91	84.39	-0.40	1.77
1992 Enterprise	6	63.23	63.23	67.62	+0.11	2.85
Euro Capital Acc	6	87.72	87.72	93.81	+0.48	1.44
Euro Capital Inc	6	83.81	83.81	89.63	+0.46	1.45
General	6	172.9	172.9	184.9	-0.2	2.70
Japan	6	98.78	98.78	105.6	+1.4	-
Mastertrust	6	90.16	90.16	96.42	+0.06	2.12
UK Growth Acc	6	154.6	154.6	165.3	+0.4	2.74
UK Growth Dist	6	99.33	99.33	106.2	+0.3	2.76
US Emerging Cos	6	65.73	65.73	70.29	-0.91	-
Income & Growth	6	303.1	303.1	324.1	-1.4	4.32
Ethical	6	50.33	50.33xd	53.82	+0.07	3.14
International	6	62.86	62.86	67.22	+0.11	1.31
Dividend & Growth	6	48.68	49.88xd	53.06	-0.13	5.65
Global Gwth & Sec	6	51.75	51.97	55.28	+0.04	1.81

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 071-493 8111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Progressive Inc	5	18.81	18.81	19.85	+0.06	0.93
Progressive Acc	5	28.35	28.35	29.92	+0.09	0.93
International Inc	5	19.86	19.86	20.96	.....	1.30
International Acc	5	26.39	26.39	27.85	.....	1.30
Can & Foreign Inc	5	230.1	230.1	242.8	.....	0.60
Can & Foreign Acc	5	275.0	275.0	290.2	.....	0.60
Special Sits Inc	5	204.1	204.1	215.4	.....	1.00
Special Sits Acc	5	221.7	221.7	234.0	.....	1.00
PEP Inc	5	133.9	136.3	143.9	.....	1.35
PEP Acc	5	143.0	145.6	153.7	.....	1.35
Growth Inc	5	81.58	81.58	85.89	.....	0.46
Growth Acc	5	81.71	81.71	86.24	.....	0.46

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 071-236 6441

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Dolphin Special Sits	5½	119.4	119.4xd	127.7	+0.3	3.64
Dolphin Dividend	5½	61.68	62.68xd	67.03	-0.07	6.56
Dolphin Int Inc & Gth	5½	160.4	160.4xd	171.5	-0.6	3.64
Dolphin UK & Gen	5½	34.45	34.65	37.05	-0.05	2.88
Dolphin Fund of Funds	5½	47.43	49.43	52.86	+0.21	2.84

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	75.88	75.88	81.15	+0.01	3.15
Do (Accum)	6	80.35	80.35	85.94	+0.01	3.15
Service Cos	6	62.25	62.25	66.57	+0.04	2.45
Do (Accum)	6	65.48	65.48	70.03	+0.04	2.45
Income Growth	6	42.36	42.36	45.31	+0.16	4.36
Do (Accum)	6	59.81	59.81	63.97	+0.22	4.36
Higher Yield	6	32.12	32.12xd	34.35	+0.18	4.49
Do (Accum)	6	40.53	40.53	43.35	+0.22	4.49
American Gth Inc	6	31.92	31.92	34.14	-0.14	1.51
Do (Accum)	6	32.53	32.53	34.79	-0.14	1.51
European Growth	6	25.92	25.92	27.72	+0.08	1.55
Do (Accum)	6	26.41	26.41	28.25	+0.08	1.55
Global Bond Inc	6	22.48	22.57	24.14	+0.01	6.47
Do (Accum)	6	25.98	26.08	27.90	+0.01	6.47
Managed P'folio Inc	6	24.99	25.07	26.81	+0.02	-

GA Unit Trust Mngrs Ltd (1000)H
PO Box 237, York YO1 1LA 0345 581106/7

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GandA	5¼	184.2	184.2	195.3	-0.5	4.61
Cash* ¶	1½	50.20	50.20	51.04	+0.01	10.78
Growth Portfolio	5¼	48.24	48.24	51.13	-0.22	1.96
Income Portfolio	5¼	51.03	51.03	54.09	+0.16	6.1

*C.A.R. – Compound Annual Rate

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings:071-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	135.4	136.8	145.5	-0.1	3.74
Gilt & Fxd Int	5	145.3	145.3	152.8	+0.1	8.28
Intl Growth	5¼	150.0	150.0	159.6	+1.5	0.46
North American ♥	5¼	97.81	97.81xd	104.1	+0.9	0.54
Far East	5¼	122.3	122.6xd	130.1	+0.7	0.47
UK Smaller Cos	5¼	99.68	99.68	106.0	-1.1	3.48
European	5¼	53.34	53.34xd	56.87	+0.17	1.01
Japanese Growth	5¼	37.23	37.23	39.88	+0.49	0.00
Managed P'folio	5¼	50.21	50.60	53.83	+0.07	1.33
High Income	5¼	152.0	153.7	163.5	-0.4	5.99
High Yielding Gilt	5¼	60.72	60.72xd	63.97	+0.01	9.81
Cash		51.39	51.39	51.39	+0.01	9.77

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	116.93	116.93	124.38	+0.3	2.60
Exempt Smllr Cos	3½	221.46	221.46	240.82	+0.09	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

هكذا من الأصل

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Edinburgh Fund Mngrs PLC

	Bid Price	Offer Price	+ or -	Yield Gross
Exempt Funds				
American July 31	158.8	163.2	-2.9	1.54
Managed July 31	146.9	152.4	+0.4	3.77
Japan July 25	115.5	118.7	-3.4	0.08
Sm Jap Cos July 26	560.7	576.1	-19.5	0.08

Fidelity Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens P'Folio	132.7	137.1	+0.70	3.50

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	£480.05	487.21	+4.63	1.55
Gen Exempt	£132.49	135.47	+0.28	3.87
Jap Exempt	£480.50	490.10	+2.00	0.80
Pacific Exempt	£103.62	105.86	+0.49	3.08
Contl Euro Exempt	£95.93	97.80	-0.18	2.33
Interest Exempt July 25	£129.50	132.72		4.70
Amer Indexed Expt July 25	£103.75	104.78		3.15
Japan Indexed Expt July 25	£63.79	65.08		0.62
Euro Indexed Expt July 25	£95.77	97.70		2.82
O'seas Indexed Expt July 25	£97.99	100.18		2.36

Funds In Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital July 17	493.46	497.09		2.47
Gross July 17	177.49	178.92xd		10.90
High Yield July 17	291.89	294.24		7.00

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	53.78	54.91	-0.08	4.10

INVESCO MIM Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Exempt Funds				
Intl Mngd P'Folio	1213.0	130bxd		-
Mngd Pens (Aus)	69.6	73.6		-

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Jan 3	£2360.0	2675.0		6.00
Int. Gth Prp Apr 16	£1325.0	1460.0		7.20

Lazard Investors Ltd ‡‡

	Bid Price	Offer Price	+ or -	Yield Gross
Exempt Funds				
Small Co's July 25	£3426.6	3597xd		4.52
European July 25	£530.4	536		2.25
American July 25	£354.9	368.5		2.00
Japan July 25	£540.4	548.8		1.19
Pacific July 25	£145.4	149.4		3.29

Gresham Unit Assurance Ltd

2-6 Prince of Wales Rd, Bournemouth 0202 752000

	Bid Price	Offer Price	+ or -	Yield Gross
Gresham Series III				
Managed Life III	553.2	582.9	-1.5	-
Managed Pension III	119.5	125.9	-	-
Gresham Series II				
Managed Life II	547.8	577.2	-1.5	-
Managed Pension II	659.2	694.6	...	-

Growth & Sec. Life Assce. Soc. Ltd

Weir Bank, Bray-on-Thames 0444 413307

Legal & General (Unit Pensions) Ltd

Kingswood House, Kingswood, Tadworth, Surrey 0737 370370

	Bid Price	Offer Price	+ or -	Yield Gross
Ex Bldg. Soc. Initial	156.0	164.3	..	-
Do. Accum.	195.4	205.7		-
Exempt Cash Init.	278.6	293.3	+0.1	-
Do Accum.	439.6	462.8	+0.1	-
Exempt Eqty Init.	872.1	918.0	-1.8	-
Do Accum.	1376.1	1448.6	-2.7	-
Exempt Euro Init.	162.8	171.4	+0.4	-
Do. Accum.	197.6	208.0	+0.5	-
Exempt Far East Init.	219.2	230.8	+0.4	-
Do Accum.	266.0	280.0	+0.5	-

Manulife Group—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pension Fund Prices				
Managed Init.	328.8			-
Do Accum.	483.1			-
Property Init.	312.9			-
Do Accum.	460.7			-
Equity Init.	409.7			-
Do Accum.	603.4			-
Gilt-Edged Init.	253.6			-
Do Accum.	386.5			-
Guaranteed Init.	206.0			-
Do. Accum.	306.3			-
International Init.	405.8			-

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	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	108.1	113.7	-0.1	-
Pension Managed Fd	107.0	112.6	+0.1	-
Life Deposit Fd	108.4	114.1	.....	-
Pension Deposit Fd	114.0	120.0	.....	-
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	116.8	123.0	+3.2	-
Managed Growth	144.4	152.1	+4.0	-
Managed Opportunity	145.8	153.5	+4.3	-
NFMC Target Financial	103.5	109.0	-0.2	-
Pension Funds				
Managed Cautionary	127.2	133.9	+3.1	-
Managed Growth	152.7	160.8	+4.0	-
Managed Opportunity	145.8	153.5	+4.1	-
NFMC Target Mngd Pens	1551.1	1632.8	+2.0	-
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	164.2	172.9	.....	-
UK Equity	174.0	183.2	.....	-
Overseas Equity	135.8	143.0	.....	-
Fixed Interest	146.9	154.7	.....	-
Property	130.9	137.8	.....	-
Index Linked	146.9	154.7	.....	-
Deposit	158.8	167.2	.....	-
With Profits (B)	130.1	137.0	.....	-

	Bid Price	Offer Price	+ or -	Yield Gross
Prosperity Life Assurance Ltd				
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555				
Initial Equity	154.5	163.0	-0.5	-
Accum Equity	222.0	234.0	-0.5	-
Accum Managed	230.0	242.5	.....	-
Accum Five Star	171.0	180.5	+0.5	-
Accum World	126.0	133.0	.....	-
Accum Lifetime	111.9	111.3	-0.1	-
Pens Acc Equity	240.5	254.0	-0.5	-
Pens Acc Managed	287.5	303.0	.....	-
Pens Acc Intl	216.0	228.0	+1.5	-
Pens Acc Deposit	201.5	212.5	.....	-
Pens Acc Five Star	187.0	197.5	+0.5	-
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	230.2	242.9	-0.4	-
UK Fixed Int Acc	177.7	187.5	+0.6	-
Intl Equities Acc	178.6	188.4	-0.1	-
UK Managed Acc	176.2	185.8	-0.1	-
Property Acc	224.0	236.3	.....	-
Money Acc	130.4	137.6	.....	-
Special Market Acc	146.1	154.2	+1.3	-
Japan Equity Acc	103.8	109.5	+1.2	-
North American Acc	107.7	113.7	-0.1	-
Pacific Acc	97.9	103.3	+0.3	-
Technology Acc	125.5	132.4	+1.6	-
Nat Resources Acc	60.7	64.1	-0.8	-
European Acc	100.7	106.3	+0.2	-
Residential Prop Acc	96.1	101.4	.....	-
Swiss Equities Acc	35.0	37.0	+0.1	-
Hong Kong Acc	69.2	73.1	-0.7	-
UK High Inc Eq Acc	74.3	78.4	+0.1	-
Int Fixed Interest Acc	57.8	61.0	.....	-
Int Managed Acc	57.1	60.2	.....	-
HIP Managed Acc	118.7	125.2	+0.1	-
HIP Managed II Acc	102.0	107.5	+0.4	-
HIP Managed III Acc	108.9	114.8	+0.3	-

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OFFSHORE INSURANCES

[illegible]

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OFFSHORE AND OVERSEAS

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GUERNSEY (SIB RECOGNISED)

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GUERNSEY (REGULATED)

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IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

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JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar down, but above lows

THE DOLLAR finished weaker, but above the day's lows on news that sales of new US single-family homes rose 7.4 per cent in June, after a revised decline of 3.2 per cent in May. Sales in the north-east of the country climbed 24.5 per cent, reinforcing hopes that the US economy is coming out of recession.

On the other hand any improvement in sentiment was countered by a fall in the US Conference Board's index of consumer confidence to 77.7 in July from 78.0. The board said that consumers continue to be uncomfortable about future developments, but are slightly happier about present conditions than a month ago.

There was no immediate reaction to a report of deep cuts in US military spending and its withdrawal from about one-third of 1,600 foreign bases over the next four years. This was said to be the result of budget pressures and the easing of east-west tensions.

The dollar fell below DM1.7400 at one time, but at the London close was quoted at DM1.7505 compared with DM1.7530 on Monday. It also fell to Y137.80 from Y138.15; to SFr1.5285 from SFr1.5325; and to FFr5.9525 from FFr5.9600. On Bank of England figures the dollar's index rose to 66.9 from 66.8.

Sterling had a firm tone, despite a pessimistic quarterly survey from the Confederation of British Industry. Business confidence is still falling and further intererst rate cuts are needed, according to the CBI, but dealers doubted that the authorities would responding quickly to this prompting.

Speculation about higher German interest rates, and the shrinking of rate differentials between London and Frankfurt so far this year, are seen as limiting any room for lower UK rates in the near future.

The pound rose 60 points to $1.6805. It also advanced to DM2.9425 from DM2.9350; to FFr10.0025 from FFr9.9800; to SFr2.5675 from SFr2.5650; and to Y231.50 from Y231.25. Sterling's index gained 0.2 to 90.9.

Sterling remained the third weakest member of the European exchange rate mechanism, as the French franc climbed off the bottom of the system to be replaced by the Danish krone.

Mr Pierre Beregovoy, French finance minister, said that economic growth in the second quarter would probably be no better than in the first quarter, when it was zero. In Paris the highest placed ERM currency, the Spanish peseta, lost ground to the franc at the fixing, but the D-Mark improved.

In the ERM the peseta was little changed overall, underpinned by speculation that tomorrow's tenders for Spanish Treasury paper will result in higher yields.

The German currency was buoyed by suggestions that the next meeting of the Bundesbank council, on August 15, will result in a tightening of monetary policy. Mr Helmut Schlesinger, president-elect of the Bundesbank, recently indicated that the German discount is too low when compared with market rates.

£ IN NEW YORK

July 30	Latest	Previous Close
£ Spot	1.6805-1.6815	1.6820-1.6830
1 month	0.79-0.77pm	0.72-0.71cpm
3 months	2.10-2.07pm	2.11-2.08pm
12 months	6.45-6.35pm	6.65-6.45pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 30	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.502	-3.84	5.33	67
Italian Lira	1538.24	1533.76	-0.29	1.99	28
Belgian Franc	42.4032	42.2812	-0.29	1.58	19
D-Mark	2.05586	2.05148	-0.21	1.51	21
Dutch Guilder	2.31643	2.31286	-0.15	1.45	13
Irish Punt	0.767417	0.767414	0.00	1.29	5
Sterling	0.696904	0.698125	0.18	1.11	-4
French Franc	6.89509	6.97890	1.22	0.07	-61
Danish Krone	7.84195	7.94322	1.29	0.00	-54

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6785 - 1.6890	1.6800 - 1.6810	0.78-0.76cpm	5.50	2.09-2.06pm	4.94
Canada	1.9345 - 1.9455	1.9365 - 1.9375	0.47-0.38cpm	2.63	1.16-1.04pm	2.27
Netherlands	3.3100 - 3.3225	3.3125 - 3.3225		2.03		1.66
Belgium	60.40 - 60.70	60.60 - 60.70	15-11cpm	2.57	35-30pm	2.14

MONEY MARKETS

Rates stay firm

RATES WERE firm on the London money market yesterday. Weekend comments from ministers, accompanying publication of the UK Treasury Bulletin, have increased caution about the timing of bank base rate cuts. There was little reaction to yesterday's CBI industrial trends survey.

Three-month sterling interbank was quoted at 11⅛-11 per cent, compared with 11⅛-11, and 12-month money was 10¾-10⅞ against 10⅞-10¾ per cent.

UK clearing bank base lending rate 11 per cent from July 12, 1991

Short sterling futures traded in a narrow range on Liffe, consolidating after Monday's sharp fall. September delivery was unchanged at 89.19 and December rose to 89.63 from 89.62.

Day-to-day credit was in short supply on the cash market. The Bank of England initially forecast a shortage of £1,150m, but revised this to £1,100m at noon and to £1,350m in the afternoon, before finally revising the shortage to £1,450m. Assistance of £1,294m was provided.

An early round of help was offered and at that time the authorities bought £394m bills for resale to the market on August 16 at a rate of 10⅞ per cent. Before lunch another £150m bills were purchased, for resale to the market on August 16 at 10⅞ per cent.

In the afternoon £495m bills were bought outright, by way of £20m Treasury bills in band 1 at 10¾ per cent; £416m bank bills in band 1 at 10¾ per cent; £13m Treasury bills in band 2 at 10¾ per cent; and £46m bank bills in band 2 at 10¾ per cent. Late assistance of around £255m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £505m, with exchequer transactions absorbing £560m and bank balances below target £185m. These outweighed a fall in the note circulation adding £110m to liquidity.

In Frankfurt call money rose to 8.90 from 8.85 per cent as banks bid for funds to make pension payments. On Monday the Bundesbank injected an estimated DM2bn into the banking system, via funds held by the central bank on behalf of public authorities. Most of this probably remained in the market yesterday.

Extra liquidity has been offered, via two securities repurchase agreement tenders, but this will be needed to offset by two expiring facilities totalling DM49.8bn. The Bundesbank has offered 34-day and 62-day funds at variable bid rates.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6805	1.6728	1.6598	1.6430	1.6156

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.6766	1.6786	1.6724	1.6700
Dec	1.6600	1.6600	1.6540	1.6512
Mar	1.6410	1.6450	1.6400	1.6366

FT LONDON INTERBANK FIXING

(11.00 a.m. July 30) 3 months US dollars		6 months US Dollars	
bid 5⅞	offer 6 1/16	bid 6⅛	offer 6¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	8½	One month	6.17	Three year	7.21
Broker loan rate	7¾	Two month	5.68	Four year	7.36
Fed.funds	5¾	Three month	5.72	Five year	7.80
Fed.funds at intervention	-	Six month	5.93	Seven year	8.06
		One year	6.21	10-year	8.20
		Two year	6.84	30-year	8.40

July 30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.85-8.95	8.85-9.00	8.00-9.05	9.05-9.20	9.30-9.45	9.00
Paris	9⅛-9¼	9½-9⅝	9½-9⅝	9½-9⅝	9⅞-9⅞	9.25
Zurich	7¾-7⅞	7¾-7⅞	-	7¾-8	-	-
Amsterdam	8.75-8.8	8.96-9.06	-	9.19-9.27	-	-
Tokyo	7⅞-7⅞	7⅞-7⅞	-	7⅞-7¾	-	-
Milan	10¾-11	11¾-12	-	11¾-12	-	-
Brussels	8.93-9.06	9-9¼	-	9¼-9⅜	-	-
Dublin	9⅞-9⅞	9¾-10	10-10¼	10⅛-10¼	10¼-10⅜	-

LONDON MONEY RATES

Jul 30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11½	11¼	11 3/16	11 3/16	11	10⅞
Interbank Bid	10¾	11	11 1/16	11 1/16	10⅞	10⅞
Sterling CDs	-	-	11 1/16	11 1/16	10⅞	10⅞
Local Authority Deps.	11	11 1/16	11 3/32	11 3/32	10⅞	10¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11¼	11	10⅞	10⅝	-	-
Company Deposits	-	-	11 3/16	11 3/16	11	10⅞
Finance House Deposits	-	-	11 3/16	11¼	11 1/16	11
Treasury Bills (Buy)	-	-	10¾	10½	10⅜	-
Bank Bills (Buy)	-	-	10⅞	10⅞	10 7/32	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.92	6.02	6.27	6.55
SDR Linked Dep. Offer	-	-	7⅛	7⅜	7¾	7¾
SDR Linked Dep. Bid	-	-	7⅛	7¼	7⅜	7¾
ECU Linked Dep. Offer	-	-	9⅞	10	10⅛	10½
ECU Linked Dep. Bid	-	-	9¾	9¾	10 1/16	10

Treasury Bills (sell): one-month 10⅝ per cent; three months 10⅜ per cent; six months 10 per cent; Bank Bills (sell): one-month 10¾ per cent; three months 10⅝ per cent; Treasury Bills; Average tender rate of discount 10.4456 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1991. Agreed rates for period Aug 26, 1991 to September 24, 1991, Scheme I: 12.31 p.c., Schemes II & III: 12.38 p.c. Reference rate for period June 29, 1991 to July 31, 1991, Scheme IV&V: 11.138 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11½ from July 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 10 per cent; three-six months 9½ per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7½ per cent from July 15, 1991, Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
103	-	-	-	0.15	0.61	-
104	0.75	-	-	0.39	-	-
105	0.27	-	-	0.91	-	-
106	0.08	0.55	-	-	2.04	-
107	0.02	0.88	0.61	-	-	-
108	0.01	0.17	-	-	-	-
Open int	145,475	42,304	9,260	104,979	26,215	16,250

Estimated volume 6,656 Total Open interest 344,484

BASE LENDING RATES

	%		%		%
Adam & Company	11	Co-operative Bank	11	McDonnell Douglas Bnk.	11
Allied Trust Bank	11	Coutts & Co	11	Midland Bank	11
AIB Bank	11	Cyprus Popular Bk	11	Mount Banking	11
● Henry Ansbacher	11	Dunbar Bank PLC	11	NatWestminster	11
B & C Merchant Bank	11	Duncan Lawrie	11	Northern Bank Ltd	11
Bank of Baroda	11	Equatorial Bank plc	11	Nykredit Mortgage Bank	12
Banco Bilbao Vizcaya	11	Exeter Bank Limited	11½	Provincial Bank PLC	14
Bank of Cyprus	11	Financial & Gen. Bank	12	Roxburghe Bank Ltd.	12.5
Bank of Ireland	11	First National Bank Plc.	14	Royal Bk of Scotland	11
Bank of India	11	● Robert Fleming & Co.	11	● Smith & Williamson Secs.	11
Bank of Scotland	11	Robert Fraser & Ptnrs.	11½	Standard Chartered	11
Banque Belge Ltd	11	Girobank	11	TSB	11
Barclays Bank	11	● Guinness Mahon	11	Unibank plc	11
Benchmark Bank	11.5	● Hambros Bank	11	● United Bk of Kuwait	11
Brit Bk of Mid East	11	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	11
● Brown Shipley	11	Heritable & Gen Inv Bnk.	11	Western Trust	11
CL Bank Nederland	11	● Hill Samuel	11	Westpac Bank Corp.	11
Citibank NA	11	C. Hoare & Co.	11	Whiteaway Laidlaw	11
City Merchants Bank	11	Hongkong & Shanghai	11	Yorkshire Bank	11
Clydesdale Bank	11	● Leopold Joseph & Sons	11		
Comm.Bk.of London Plc	11	Lloyds Bank	11		
		Meghraj Bank Ltd	11		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
CAF Money Management Co Ltd 48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Cafcash Deposit Fund	10.94	-	11.40	3 Mth
Deposits Over £2 million	11.04	-	11.51	3 Mth
Deposits Over £2 million	11.14	-	11.62	3 Mth
The COIF Charities Deposit Account 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	10.85	-	11.30	3-Mth
Cent. Bd. of Fin. of Church of England‡‡ 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	10.85	-	11.30	3-Mth
Gartmore Money Management Ltd 2-3 White Hart Yard, London SE1R 1NX. 071-236 1425				
TESSA Desk 071 236 9362				
Call Fnd	10.65	7.98	10.93	6-Mth
7-day Fund	10.75	8.06	11.03	6-Mth
Special Fund	10.52	-	11.04	1-Mth
Dollar	4.49	3.36	4.56	3-Mth
TESSA Prime	10.20	-	10.60	3-Mth
TESSA Plus	10.00	-	10.38	3-Mth
TESSA Saver	9.75	-	10.11	3-Mth

Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
AIB Bank High Interest Cheque Account Belmont Rd, Uxbridge UB8 1SA 0800 282115				
£2,500-£9,999	9.00	6.75	9.30	Qtr
£10,000+	9.75	7.31	10.11	Qtr
Aitken Hume Bank plc 30 City Road, EC1Y 2AY. 071-638 6070				
Treasury Acc	9.50	7.125	9.84	Qtr
	9.50	7.125	9.92	Mth
	10.00	7.505	10.47	Mth
Mth Int Chq £50,000+	10.50	7.875	11.02	Mth
Allied Trust Bank Ltd 97-101 Cannon St, London, EC4N 5AD 071-626 0879				
TOMNA (£2,001+)	11.40	8.55	12.01	Mth
OMNA (£2,001+)	11.00	8.25	11.57	Mth
HICA (£2,001+)	9.50	7.13	9.92	Mth
Premier TESSA	12.50	9.38	13.24	Yearly
American Express Bank Ltd				

	Gross	Net	Gross CAR	Int Cr
Co-operative Bank PO Box 300, Skelmersdale, Lancs				
TESSA (Fxd until Jly)	12.50	-		
Investment 90—90 Day Notice Savings				
£50,000+	11.25	8.40	11.6	
£25,000-£49,999	11.0	8.25	11.3	
£10,000-£24,999	10.0	7.50	10.2	
£5,000-£9,999	8.75	6.50	8.9	
Top Tier - Instant Access Savings				
£50,000+	10.0	7.50	10.2	
£10,000-£49,999	9.5	7.10	9.7	
£5,000-£9,999	8.25	6.20	8.40	
£1,000-£4,999	7.75	5.80	7.90	
£1-£999	3.50	2.60	3.50	
Ultra Interest Bearing Current Account				
£20,000+	7.25	5.40	7.50	
£5,000-£19,999	6.25	4.70	6.40	Mth
£500-£4,999	3.50	2.60	3.60	Mth
£1-£499	2.00	1.50	2.00	Mth
Coutts & Co Reserve Account 440 Strand, London WC2R 0QS 071-753				
For personal customers				
£50,000+	9.50	7.13	9.84	
£20,000-£49,999	9.00	6.75	9.31	
£5,000-£19,999	8.50	6.38	8.78	
For businesses, charities and societies				
£100,000-£1,000,000	9.125	6.84	9.44	
£25,000-£99,999	8.875	6.66	9.18	
£10,000-£24,999	8.25	6.19	8.51	
Coutts Composite Account for clients money 27 Bush Lane, London EC4R 0AA 071-623				
Rates negotiable up to	10.688	-		
Dartington & Co Ltd Investment A/C 70 Prince St, Bristol BS1 4QD 0272 213				
£50,000-£1m	10.75	8.06	11.22	Qtr
£25,000-£49,999	10.50	7.87	10.92	Qtr
£5,000-£24,999	10.25	7.69	10.65	Qtr
Financial & General Bank plc 13 Lowndes Street, London SW1X 9EX 071-235 0036				
H.I.D.A. £50,000	12.00	9.00	12.36	Qtr
H.I.D.A. £10,000-£50,000	11.85	8.89	12.20	Qtr
Gartmore Money Management Ltd 2-3 White Hart Yard, London SE1 1NX 071-236 1425				
Money Mngt. Acct	9.38	7.03	9.71	3-Mth
Girobank plc High Interest Cheque Acc 10 Milk St., London EC2V 8JH 071-600 6020				
£1,000-£3,999	8.00	6.00	8.00	Yearly
£4,000-£9,999	8.75	6.56	8.75	Yearly
£10,000-£49,999	9.25	6.94	9.25	Yearly
£50,000	9.75	7.31	9.75	Yearly
Humberclyde Finance Group Chalkley Ct, Winchester Rd, Basingstoke 0256 84				
£50,000+	11.00	8.25	11.34	Qtr
Kleinwort Benson Ltd 158 Kentish Town Rd, London NW5 2BT 071 267 1588				

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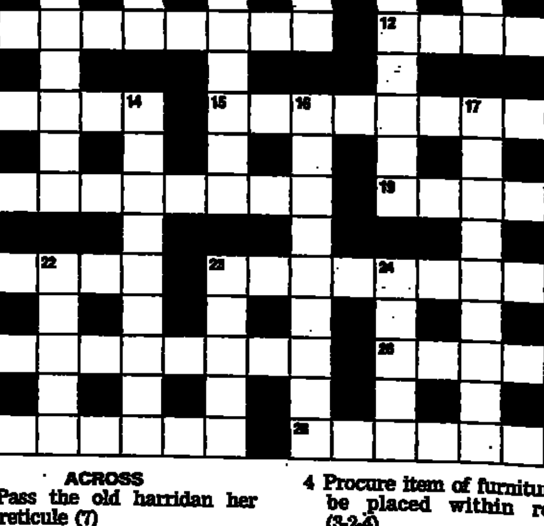
CROSSWORD

No.7,608 Set by MUTT



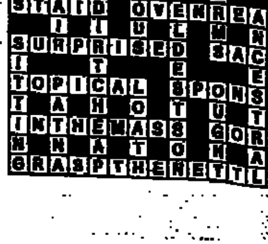
ACROSS

1 Pass the old harridan her reticule (7)
5 Romping lasses and lads follow the big bell (7)
9 Come round again about the dog (5)
10 Drummer's face is behind my back in the race (9)
11 Touring car – the car with personality (9)
12 Crank is attributed with considerable knowhow in chemistry (5)
13 A lifter, one among the strong (5)
15 A conception of perfection to live with; a high-class notion at fifty (4-5)
18 The one in top position calls here to catch fish (9)
19 Put up with the rector being godless (5)
21 Strip at an alfresco party? (5)
23 Knowing song I can't place somehow (9)
25 For appearances, get female to sign in Pennsylvania (9)
26 Horde urged on (5)
27 Seemed confused about name of estate (7)
28 Listen, speak and it becomes common talk (7)

DOWN

1 Rich to be roaming without a bean (7)
2 Beverage that's trendy with eastern fruit (9)
3 Turn up for morning massage in the country (5)
4 Procure item of furniture to be placed within reach (3-2-4)
5 Send over for the clock (5)
6 Wan, he staggered into the distance – in the flashback perhaps? (9)
7 Overcharge for vegetable (5)
8 Bag centre for roses at Chelsea (7)
14 Poor fool with virus appears to be rather giddy (9)
16 Such hunters wish to have this penned (9)
17 To several may be offered lifts (9)
18 Exploded mildly about student, sounded like a drip (7)
20 Ragman, having started young, is becoming shaky (7)
22 The Riding Master is to provide hot baths (5)
23 19 scattered about the island (5)
24 Excellent about 1 down all going up country (5)

Solution to Puzzle No.7,607



WORLD STOCK MARKETS

AUSTRIA — FRANCE (continued) — GERMANY (continued) — NETHERLANDS — SWEDEN (continued)

BELGIUM/LUXEMBOURG — SWITZERLAND — DENMARK — ITALY — NORWAY — FINLAND — SPAIN — SOUTH AFRICA — GERMANY — FRANCE — SWEDEN — AUSTRALIA — JAPAN — HONG KONG — MALAYSIA — SINGAPORE

CANADA

TORONTO

2:30 pm prices July 30

Quotations in cents unless marked $

MONTREAL

2:30 pm prices July 30

INDICES

NEW YORK — DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS — TRADING ACTIVITY

CANADA — TORONTO

TOKYO - Most Active Stocks

Tuesday 30 July 1991

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	5.3m	420	+5
Japan Airlines	5.0m	1,210	+20
All Nippon Air	4.5m	1,430	+90
Nippon Oil	4.3m	990	+12
NKK	4.2m	390	0
Nippon Mining	4.2m	528	+4
Showa Shell Sek	3.9m	1,080	-10
Mitsubishi Heavy	3.8m	723	-2
Maeda Rd Const	3.6m	2,840	+60
Kawasaki Steel	3.5m	409	+6

3:00 pm prices July 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp x	0.48	0.03	17	794	16⅝	16¼	16½	+¼
18¾	14½	A L Labs A	0.18	0.01	18	1788	17⅞	16¾	17¼	-⅝
65¾	40⅞	AMP Inc x	1.44	0.03	20	1282	62⅝	61⅝	61⅝	-⅞
68⅝	44¼	AMR			11	1341	62	61¼	61⅝	-⅛
2⅝	1¼	ARX			1	36	1⅜	1⅜	1⅜	
56	41½	ASA	3.50	0.07	14	619	49⅞	49½	49⅞	-¼
54	39¾	Abbott Lab	1.00	0.02	22	4657	52⅞	52⅜	52½	-⅜
14½	9⅞	Abitibi Pr	0.60	0.04	26	13	14	13⅞	14	+⅛
11⅝	10⅜	ACM Gvt In	1.28	0.12		227	11	10⅞	10⅞	
9¾	8¾	ACM GvOpp	1.01	0.11		214	9½	9¼	9⅜	+⅛
9¼	8¼	ACM Gvt Sp	1.01	0.11		178	9	8⅞	9	+⅛
11	9⅞	ACM Gvt Se x	1.28	0.12		690	10½	10⅜	10⅜	-⅛
8⅞	7⅝	ACM Man	1.01	0.12		218	u8⅞	8¼	8¼	
12⅞	11½	ACM Managd	1.35	0.11		281	12⅛	12	12	-⅛
7½	4¾	Acme Clev x	0.40	0.06	16	53	6¾	6⅜	6¾	+⅛
6	3½	Acme Elect			38	z100	3⅞	3⅞	3⅞	
40	22¾	Acuson			23	457	34⅜	34⅛	34⅜	+¼
18½	14¼	Adams Expr	0.48	0.03	0	233	18	17⅞	18	-⅛
20⅛	17⅝	Adobe12Pf x	2.40	0.14		66	17⅞	17¾	17¾	-⅛
9¾	6¾	Adobe Res			20	4	7⅛	7⅛	7⅛	
38⅞	18	Ad Micro				136	33⅞	33	33⅞	
14¼	4⅝	Ad Micro P	3.00	0.28		174960	10⅞	10⅝	10⅝	+⅜
5⅛	2¼	Advest Grp	0.16	0.04	6	25	4⅛	4	4⅛	
49⅛	33⅞	Aetna Ll x	2.76	0.08		63475	36⅞	35⅝	36	+½
10⅝	6⅝	Ahl A	0.24	0.03	45	665	8½	8⅛	8⅛	+⅛
20⅛	12	Ahmanson	0.88	0.05	10	1293	17⅞	17⅜	17¾	+⅜
12¾	2⅞	Aileen Inc			14	316	10¾	10½	10⅝	
74⅛	51⅝	Air Pr Chm	1.56	0.02	14	1476	66¾	65⅞	66⅝	+1⅛
30	16⅝	Airbne Frt	0.30	0.01	19	1764	29¾	29⅝	29¾	
18⅞	12½	Airgas Inc			73	51	15⅜	15⅜	15⅜	
15¼	10	Airlease	2.06	0.17	6	22	12⅜	12⅛	12⅛	+⅛
94	89¾	AlaPw8.16				z100	93	93	90	-3
25⅛	21⅞	AlaPw PfA	2.00	0.08		11	u25⅛	25⅛	25⅛	
104½	100	AlaPw9.44				z100	102	102	101	-1

[illegible]

NYSE COMPOSITE PRICES

Continued from previous page

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- X - Y - Z -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
51	43¾	Xerox4.125				z100	u51	51	50½	-½
21¼	14½	Xtra 1.94				10	20½	20½	20½	
24⅞	14¼	Xtra Corp	0.72	0.03	22	8	22½	22½	22½	+¼
24¼	21⅛	Yankee Egy	1.60	0.07	12	6	22⅞	22¾	22⅞	
1½	⅛	Zapata			0	95	¼	⅛	¼	+⅛
9⅝	6¼	ZenithElec			2	82	6⅝	6½	6½	
18½	12	Zenith Nat x	1.00	0.05	73	42	17⅞	17⅞	17⅞	
6¼	4½	Zenix Inc x	0.84	0.14		13	5⅞	5⅞	5⅞	
15⅛	10⅞	Zero Corp	0.40	0.03	15	51	13⅞	13½	13⅞	
41½	29½	Zurn Ind	0.88	0.02	14	69	36½	36¼	36⅜	+⅛
13½	10¼	Zweig Fund	1.12	0.09		230	12¼	12⅛	12⅛	+⅛
10	8½	Zweig Totl	0.96	0.10		363	9⅞	9¾	9¾	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2:30 pm prices July 30

[illegible]

NASDAQ NATIONAL MARKET

2:30 pm prices July 30

[illegible]

AMERICA

Dow returns above 3,000 on resilient bond market

Wall Street

BUOYED by a resilient bond market, share prices moved *confidently higher yesterday* morning, pushing the Dow Jones Industrial Average back *above the 3,000 mark, writes Patrick Harverson in New York.*

By 1 pm the Dow was up 23.48 at 3,008.72 in active trading. The broader-based Standard & Poor's 500 was also firmer, up 2.39 at 385.54 at 1 pm, as was the Nasdaq composite of over-the-counter stocks, which rose 3.38 to 496.73. Turnover on the New York SE was a heavy 101m shares by 1 pm.

Analysts had been expecting a surge in prices for some time. The market declined to react positively to the reduction in long-term interest rates last week, so yesterday's gains were regarded as an overdue response to lower borrowing costs. The latest economic news – higher June home *sales and steady employment* costs but lower July consumer confidence – proved mixed and had little effect on overall sentiment. Friday's employment report is the next piece of data likely to move the market.

Boeing gave a boost to the Dow, rising $2½ to $46⅛ on *turnover of 1.6m shares after* the aerospace giant reported a 17 per cent improvement in *second quarter profit. A strong* contribution from its commercial divisions cancelled out *shortfalls in defence and space* orders.

Whirlpool also posted a big gain on strong earnings. The stock jumped $2½ to $34⅞ after the white goods manufacturer reported a sharp increase in second quarter profit to 83 cents a share, aided by a good recovery in income at the group's Brazilian affiliates.

Merck rose $1⅞ to $126⅝ in active trading after several *analysts reiterated their "buy"* ratings on the stock following last Friday's approval from the Food and Drug Administration of Merck's drug Plendil, used to treat hypertension.

Hibernia slumped $¾ to $4⅝ after NCNB, the south-eastern banking group, denied that it was considering investing in *Hibernia. Yesterday the stock* rose sharply on the unsubstantiated story of NCNB's interest in the Louisiana banking group.

UAL climbed $2 to $141⅛ on the news that it had withdrawn its $235m bid for Pan Am's Latin American *operations. Delta, whose bid* for Pan Am assets was rejected yesterday by the troubled carrier's unsecured creditors' committee, edged $⅛ to $73⅝.

On the over-the-counter market, Valley Capital rose $4 to $28 after the bank holding company said that it was discussing the sale of the company with an unidentified potential buyer. A newcomer, Progress Software, made a promising debut, trading at $29¼ against an issue price of $25 on turnover of over 1m shares.

Canada

TORONTO *stocks climbed* higher in midday trade on bargain-hunting in some cyclical blue chips. The composite index gained 12.9 to 3,543.2. Advances led declines by 188 to 177 in slow volume of 11.1m shares. *Alcan rose C$⅜ to* C$24¼, Inco gained C$⅜ to C$42⅞ while Cominco slipped *C$⅛ to C$23⅞. IAF Biochem* continued its march upwards after it said on Monday that initial test results of its Aids-fighting drug were satisfactory. Its shares rose C$⅞ to C$28⅞ after jumping C$⅞ on Monday.

EUROPE

Banks provide interest in quiet summer trading

BANKS provided the interest on a quiet day as interim results from Germany and Switzerland confirmed promises from the industry of a full earnings recovery in 1991, *writes Our Markets Staff.*

FRANKFURT continued to find support above the 1,600 line on the DAX index, which closed 9.36 higher at 1,614.93 after a 6.90 gain to 673.92 for the FAZ at midsession.

Volume rose from DM2.9bn *to DM3.6bn. Ms Barbara Alt*mann, of B Metzler in Frankfurt, said that the market had taken some comfort from the gains in New York and Tokyo overnight, that short-covering continued and that there had been some small buying orders, both from Germany and from London.

Banks reflected Friday's good results from Commerzbank, which rose DM4 to *DM245.50, and extended the* gains at Bayernverein, which put on another DM9.50 to DM396.50 yesterday for a two-day rise of DM15. Dresdner rose DM4 to DM357.50 on confirmation that Allianz, the insurer, had raised its stake to 23 per cent.

Among retailers, rights in Douglas stopped trading separately and the shares, relieved of this distraction, rose DM19 *to DM719. But Karstadt was* only into its second day of rights trading and the shares lost another DM3 to DM572 for a two-day fall of DM17.

MILAN was lifted by a late banking rally, but trading remained thin as the current political uncertainty increased the possibility of early elections. The Comit index rose 0.97 to 569.91 in turnover estimated at slightly more than Monday's L51bn, the lowest daily volume in the last six months.

In banks, Credito Italiano rose L65 to L2,735, while Banco di Roma firmed L35 to L2,785. Banca Commerciale Italiana closed L86 up at L4,825.

After the close, state-owned Banco di Napoli said it will offer 100m new ordinary shares at between L4,000 and L4,500 each to domestic and foreign *investors. Banco di Napoli* savings shares were unchanged at L1,910.

ZURICH featured a SFr40 rise to SFr2,040 in CS Holding bearers on the good first half results from Crédit Suisse, its banking subsidiary. The Crédit Suisse index, meanwhile, rose 1.8 to 543.4.

MADRID edged lower, the general index losing just 0.22 to 269.51 in volume of around *Pta11bn. A 1.5m share block* trade in Banco Central, Pta90 stronger at Pta4,295, enlivened the banking sector.

Campsa was suspended following Monday's announcement that Spain's leading oil refiners have agreed to take over the former retail monopoly's marketing operations, and launch a public bid for the 2.5 per cent of Campsa traded on the Spanish stock exchanges.

PARIS ended slightly lower in very quiet holiday trading. The CAC-40 index closed 1.31 lower at 1,756.59. Volume was estimated at no more than FFr1.5bn, after FFr1.7bn.

Analysts said there was some buying of stocks with clear earnings visibility. *Alcatel-Alsthom rose FFr5 to* FFr573 with 91,270 shares traded. Investment certificates in Rhône-Poulenc rose FFr4 to FFr355 after its US unit, Rhône-Poulenc Rorer, reported a second quarter net profit of $68.3m against a loss of $178.1m in the year-ago period.

On the downside, Peugeot stayed weak after Monday's fall. The stock lost FFr10 to FFr577 in 79,725 shares. Casino, the retailer, succumbed to profit-taking after its recent rise, losing FFr3.40 to FFr140.60 *with a respectable 112,500* shares traded.

OSLO was boosted by stronger-than-expected first half results from the pharmaceutical company, Hafslund Nycomed. The all-share index climbed 3.35 to 505.58 in turnover worth NKr308m, of which NKr82m was in Hafslund.

Hafslund A shares jumped NKr9 to NKr206, while Hafslund B gained NKr8.50 to *NKr221. First half pre-tax prof*its of NKr539m compared with market expectations of around NKr500m. Mr Andrew Porter at Nikko said that fears of Hafslund's aggressive acquisition programme, and its exposure to the dollar and the yen, were proving to be unfounded.

STOCKHOLM was underpinned by continued demand for Astra and Ericsson. The Affärsvärlden general index rose 1.9 *to 1,110.2 in low volume of* SKr253m after SKr233m.

AMSTERDAM ended mixed, the CBS tendency index closing unchanged at 93.5. The trading house, Borsumij, tumbled by Fl 9.80, or 12.5 per cent to Fl 68.70 after it issued a profit warning for 1991.

ISTANBUL dropped 3.1 per *cent to a new 1991 low on panic* sales on economic uncertainty and rising interest rates. The index fell 91.44 to 2,892.94.

BRUSSELS was led higher by the chemical company UCB, the market's first rise in 11 sessions. The Bel-20 index added 5.55 to 1,129.79.

UCB, which had jumped 2.5 per cent in the previous two sessions, added another 2.2 per cent to BFr17,675 with 3,520 shares traded.

FT-SE Eurotrack 100 - Jul 30

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1107.01	*1107.26*	*1108.29*	*1108.63*	*1108.45*	*1108.29*	*1108.52*	*1107.96*

Day's High 1109.25 — Day's Low 1106.85

Jul 29	Jul 26	Jul 25	Jul 24	Jul 23
1104.82	1105.03	1111.51	1113.02	1118.62

Base value 1000 (26/10/90)

Budget fuels Bombay's rally to record high

But future gains depend on the government delivering the goods, says RC Murthy

LAST Wednesday's Indian budget has given *a second wind to the* Bombay equity market, already buoyant after fiscal, *trade and economic reforms* earlier this month. The question now is whether the new *minority Congress govern*ment, which set the scene for the rally, can deliver the goods.

In the three sessions following the budget, the 30-share index of the Bombay Stock Exchange (BSE), India's largest with more than a third of national trading, was up by 210.96 or 15 per cent to an all-time high of 1,630.27 last Friday, surpassing the earlier peak set last October.

The BSE index hit a second successive high on Monday, touching 1,679.95 before closing *at 1,637.70, up a further 37.72 or* 2.4 per cent. Yesterday it rose 9.30 to 1,647.00, another all-time high, but the national index retreated 4.34 to 795.71.

The budget, whose provisions will be debated and voted upon in the coming weeks, could have a rough passage following Monday's resignation of *the labour minister after differ*ences with cabinet colleagues, and criticism of the budget *from the opposition, notably* the Marxists.

The post-budget upsurge *confounded analysts. It pro*posed a stiff R30bn impost of fresh corporate and indirect taxes, and a cut in annual depreciation rates from 33⅓ to 25 per cent, reducing the incentive for industrial investment. "The market should have collapsed," says Mr Vallabh Bhansali, a leading analyst.

But traders saw the budget differently. They were prepared for strong medicine, such as subsidy cuts of up to R100bn ($3.92bn) for the food, fertiliser and other industries, *and an across-the-board* increase in taxes which should have been especially hard on the booming cement industry.

However, the finance minister let cement off the sales tax hook, and softened the blow of a fertiliser subsidy withdrawal by phasing it out over three or four years.

Indo-Gulf Fertilisers rose by R18.75 to R58.75 at the week*end. Gujarat Ambuja Cement* was up R35.50 to R220. Reliance Industries, which benefited from import duty and excise cuts, gained R30 to R165.

Earlier this month, shipping, tea and other export-oriented company shares were spurred higher by the 18 per cent rupee devaluation and a windfall of import entitlements of up to 30 per cent of their exports, called "exim scrips", which can be sold to foreign exchange-starved importers at a premium under the new trade regime.

Century Textiles and Industries, which exports two-thirds of its cloth production, became the market leader once again as it advanced more than R1,500 to R6,500. Great Eastern Shipping, with most of its earnings in foreign currencies, jumped R22 to R78.50, and Sea Goa rose by a third to R365.

Speculative stories flourished. The State Bank of India, *formerly the Scottish-owned* Imperial Bank of India, quadrupled to R1,600 on reports of the bank being privatised through a R5bn jumbo offer.

The spurt in share prices last week was bigger, in aggregate, than the gains of the previous three weeks when the new government, led by Mr Narasimha Rao, started *dismantling* restrictions on the corporate sector and avoided an international payments default by airlifting gold bullion to the Bank of England.

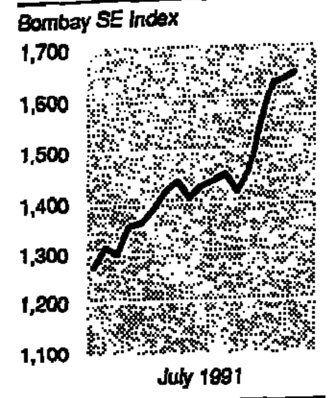
The Congress move from a mixed *to a market economy,* and the speed at which a minority administration is *pushing through swingeing* reforms, has astonished market professionals and politicians *alike.*

It has drawn flak from leftists, who say that Congress is appeasing the World Bank and the IMF, which are to be approached for a big loan. But *Mr Manmohan Singh, the Con*gress finance minister who is an economist and a former governor of the Reserve Bank of India, says the reforms are in the country's interest.

Meanwhile, in the stock market, too much money is chasing too few quality shares. The bubble could well burst when *the speculators square up their* short positions and start reckoning with the dark side of the *economy.*

India

Bombay SE Index



ASIA PACIFIC

Higher futures prices lift Nikkei by 1.8%

Tokyo

SHARE prices rose sharply yesterday, pushed up by higher futures prices, lower bond yields and arbitrage-related buying by dealers, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed up 429.05 or 1.8 per cent at *23,872.63* after opening at the day's low of 23,466.90 and rising to 23,956.13 in the afternoon. Volume increased to 280m shares, but most of the activity came from dealers as institutions stayed away.

Gains led declines by 733 to 212, with 153 issues unchanged. The Topix index of all first section stocks added 20.94 at 1,846.98, and in London the ISE/Nikkei 50 index put on 2.59 *to 1,416.77.*

Prospects of lower interest rates pushed up the futures market. The Nikkei futures broke through a psychological resistance level of 24,070 to finish 420 higher at 24,300.

Traders noted that institutions were trading futures due to the low volume in the cash market. "Institutions are paying the price for liquidity by buying expensive futures," *said Mr Graham Biggart at* Schroder Securities. But he added that a modest downward correction was likely soon.

Mr Masami Okuma at UBS Phillips & Drew said the major factor supporting cash stock prices was the rise in the futures markets, and that a fall in the futures would be exacerbated in the thin cash market.

Rising issues included interest rate-sensitive stocks. Nippon Steel, *the most active issue* of the day, moved up Y5 to Y420 on reports that Toyota had agreed to its proposed rise in sheet steel prices.

Securities companies were firm, investors believing that Monday's revelation of the names of clients compensated by the Big Four concluded the recent stock market scandals. Nomura improved Y30 to Y1,800 and Nikko Y21 to Y941.

Airline shares were stronger on a sharp increase in overseas travellers and stable fuel *prices. Japan Airlines* advanced Y20 to Y1,210 and All Nippon Airways Y90 to Y1,430.

Marubeni finished a net Y2 up at Y590 after an initial decline. Some investors were discouraged by the company's involvement in the recent stock market scandals. The company and its affiliates were the fourth largest recipient of investment loss compensation from the Big Four. It was also recently involved in a steel fraud scandal, where former employees were arrested for allegations of setting up fictitious steel deals.

In Osaka, the OSE average rose 212.76 to 26,328.33 on volume of 18.3m shares. Rohm, the integrated circuit maker, appreciated Y50 to Y2,920 on expectations of an upward revision in earnings.

Roundup

ECONOMIC optimism boosted Antipodean markets yesterday, while disappointing half-time results weighed on Singapore and Kuala Lumpur.

AUSTRALIA went to its *highest level since last August* on forecasts from Mr John Kerin, government treasurer, that inflation could fall to 3 per cent by the end of the year. News that the current account deficit had narrowed in June also helped. The All Ordinaries index rose 6.7 to 1,574.2 in turnover of A$223m, after A$177m.

TNT, which had jumped 15 cents or 22 per cent on Monday, added 2 cents at 85 cents *after the company confirmed* that it had signed a joint venture agreement with four European post offices and the Canadian post office to create an express and courier operation.

NEW ZEALAND continued Monday's pre-budget rally on hopes that the government would implement drastic *changes in spending patterns* that would help it achieve a target of balancing its budget by 1993. The NZSE-40 index climbed 30.2 or 2.1 per cent to 1,477.6.

However, share prices came off their highs in a special extended session in a cautious reaction to the budget, in spite of news of a narrower than *expected* deficit. A tightening of company tax laws also cast a shadow over shares.

The NZSE-40 index closed the special session 15.93 or 1.1 per cent higher on the day at 1,463.36. Turnover expanded to a heavy NZ$46.6m from NZ$31.3m.

KUALA LUMPUR drifted lower *as earlier optimism on* earnings waned. The market was disappointed by the interim results from General Lumber. The composite index slipped 5.05 to 602.06 in volume of M$73.1m, against M$78.1m.

The plantation stock index fell 1.9 per cent on reports that US soyabean growers were in a favoured position to ship a substantial quantity of soya oil to India, possibly displacing *Malaysian palm oil shipments.*

SINGAPORE weakened, affected by disappointing interim results from Sembawang Maritime. The Straits Times Industrial index lost 8.54 to 1,486.28, while volume eased to S$80.92m from Monday's S$103.42m that was inflated by the listing of CSA Holdings.

SEOUL gained ground for the fourth straight session to reach the highest level this year. The composite index closed at 734.48, up 20.21 or 3 per cent on record volume of Won972.8bn. Share prices rose on optimism that the market *was emerging from the dol*drums after 27 months.

HONG KONG continued to *digest its recent record-break*ing gains. The Hang Seng index shed 24.46 to 3,991.83 and turnover fell to HK$1.36bn, its lowest volume in a month, from Monday's HK$1.6bn.

TAIWAN finished higher after a volatile day. The weighted index ended 42.24 ahead at 5,227.83 but turnover fell to T$27bn from T$42bn.

BANGKOK was pushed upwards by gains in the con*struction sector. The SET* index closed 1.54 firmer at 743.95 on turnover of Bt5.02bn.

MANILA was boosted by the telephone blue chip PLDT's sharp overnight gain in New York. The composite index moved ahead 21.80 to 1,021.72. Combined turnover rose to 120.3m pesos from 97.2m.

SOUTH AFRICA

GOLDS remained under pressure. Bullion prices held at lower levels as platinum prices dropped to 5¼ year lows. The all-gold index fell 54 to 1,299 but the industrial index rose 27 to 4,041. The all-share index fell 18 to 3,456.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 29 1991								FRIDAY JULY 26 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	147.24	+0.2	130.36	128.58	134.19	126.09	+0.3	5.10	146.90	129.10	127.95	132.77	125.69	148.05	112.74	146.86
Austria (20)	175.45	−1.3	155.34	153.22	159.90	159.36	−0.5	1.74	177.73	156.19	154.82	160.64	160.16	222.37	167.00	279.68
Belgium (49)	127.33	−1.2	112.74	111.18	116.04	113.36	−0.2	5.20	128.84	113.23	112.22	116.45	113.59	151.20	121.73	158.35
Canada (115)	139.63	+0.0	123.63	121.93	127.25	116.17	+0.0	3.34	139.57	122.66	121.57	126.14	116.23	142.27	126.49	139.50
Denmark (37)	252.14	−0.5	223.25	220.19	229.80	232.17	+0.2	1.52	253.45	222.74	220.78	229.08	231.74	270.56	217.74	275.12
Finland (16)	98.86	+0.2	87.53	86.33	90.10	87.32	+0.8	2.76	98.62	86.67	85.91	89.14	86.61	125.15	90.00	138.59
France (110)	128.96	−1.3	114.18	112.61	117.52	120.56	−0.6	3.69	130.67	114.84	113.81	118.09	121.29	152.26	120.60	159.61
Germany (65)	105.19	−1.7	93.14	91.87	95.87	95.87	−0.9	2.34	107.04	94.07	93.25	96.74	96.74	125.35	102.03	141.77
Hong Kong (55)	168.05	−0.4	148.79	146.75	153.16	167.24	−0.4	4.15	168.70	148.26	146.95	152.49	167.89	168.75	119.62	143.05
Ireland (19)	153.51	−0.1	135.92	134.06	139.91	141.47	+0.5	3.53	153.60	134.98	133.79	138.82	140.76	182.46	132.88	186.35
Italy (77)	73.84	−1.5	65.37	64.48	67.29	72.18	−0.6	3.24	74.93	65.85	65.26	67.72	72.63	88.23	69.89	106.82
Japan (474)	129.41	−0.7	114.58	113.01	117.95	113.01	−0.4	0.75	130.28	114.49	113.48	117.76	113.48	146.97	118.35	142.32
Malaysia (68)	228.52	−0.2	202.33	199.55	208.26	245.20	−0.2	2.73	228.97	201.23	199.44	206.95	245.68	247.78	192.83	250.33
Mexico (16)	1128.85	−1.3	999.48	985.79	1028.82	3721.82	−1.3	1.46	1143.40	1004.85	995.96	1033.45	3769.76	1152.58	534.45	552.01
Netherland (31)	137.60	−0.6	121.83	120.16	125.41	124.07	+0.2	4.32	138.38	121.61	120.53	125.07	123.79	145.73	125.70	145.96
New Zealand (14)	47.15	+1.0	41.74	41.17	42.97	43.85	+1.1	6.94	46.69	41.03	40.67	42.20	43.37	54.64	41.18	66.41
Norway (32)	193.93	−1.3	171.70	169.35	176.74	179.71	−0.5	1.63	196.39	172.60	171.07	177.51	180.67	223.24	182.24	261.15
Singapore (38)	197.30	−0.9	174.69	172.30	179.81	159.02	−1.0	2.15	199.17	175.04	173.49	180.02	160.62	208.25	151.63	208.05
South Africa (61)	231.90	−3.0	205.32	202.51	211.34	174.21	+2.1	3.13	239.18	210.20	208.33	216.17	170.58	258.85	173.00	185.53
Spain (54)	147.20	−0.2	130.33	128.55	134.15	122.27	+0.6	4.42	147.52	129.64	128.50	133.33	121.53	171.12	131.51	176.40
Sweden (27)	189.60	−0.2	167.87	165.58	172.81	178.17	+0.4	2.50	189.99	166.97	165.49	171.72	177.40	204.12	146.60	229.00
Switzerland (58)	91.94	−1.1	81.40	80.29	83.80	87.35	+0.0	2.21	93.00	81.74	81.02	84.07	87.38	100.67	82.17	105.49
United Kingdom (240)	173.41	−0.5	153.53	151.42	158.03	153.53	+0.2	4.78	174.28	153.17	151.80	157.51	153.17	187.44	156.27	172.83
USA (526)	155.08	+0.5	137.30	135.43	141.34	155.08	+0.5	3.12	154.25	135.56	134.37	139.43	154.25	158.24	125.95	143.36
Europe (835)	136.02	−0.9	120.43	118.78	123.97	122.72	−0.1	3.89	137.22	120.59	119.53	124.03	122.83	151.52	125.50	155.16
Nordic (112)	185.25	−0.5	164.02	161.78	168.84	165.60	+0.2	1.97	186.10	163.55	162.10	168.20	165.24	200.81	155.56	219.45
Pacific Basin (718)	130.93	−0.8	115.93	114.34	119.33	114.79	−0.4	1.10	131.74	115.77	114.75	119.07	115.23	145.92	117.86	142.43
Euro – Pacific (1553)	133.28	−0.7	118.01	116.38	121.46	118.74	−0.3	2.23	134.25	117.98	116.93	121.33	119.05	147.66	121.29	148.00
North America (641)	154.04	+0.5	136.38	134.53	140.41	152.46	+0.5	3.13	153.26	134.69	133.51	138.55	151.69	157.04	125.91	143.02
Europe Ex. UK (595)	113.88	−1.2	100.83	99.47	103.81	105.02	−0.3	3.21	115.22	101.26	100.38	104.17	105.38	129.80	106.65	142.98
Pacific Ex. Japan (244)	146.05	−0.1	129.32	127.58	133.13	130.56	−0.1	4.31	146.20	128.48	127.37	132.15	130.65	146.58	111.40	142.95
World Ex. US (1745)	135.11	−0.7	119.62	118.00	123.14	120.13	−0.2	2.28	136.12	119.63	118.58	123.04	120.39	148.16	122.32	148.32
World Ex. UK (2031)	137.72	−0.2	121.94	120.28	125.53	128.81	+0.0	2.34	138.07	121.34	120.27	124.80	128.76	145.77	120.06	142.78
World Ex. So. Af. (2210)	140.24	−0.2	124.17	122.48	127.83	130.77	+0.0	2.59	140.58	123.55	122.46	127.07	130.73	148.66	122.92	145.19
World Ex. Japan (1797)	148.23	−0.1	131.24	129.45	135.11	141.06	+0.3	3.45	148.36	130.36	129.24	134.11	140.66	152.83	126.69	148.50
The World Index (2271)	140.83	−0.3	124.69	122.99	128.36	131.15	+0.1	2.59	141.22	124.11	123.02	127.65	131.07	149.01	123.28	145.43

Latest prices were unavailable for this edition.